

CHEMONICS INTERNATIONAL INC.



**SEVENTH QUARTERLY REPORT**  
**July – September, 2004**

**BOLIVIAN TRADE AND BUSINESS COMPETITIVENESS: BTBC**

**USAID/Bolivia**  
**Economic Opportunities Strategic Objective Team (EO SOT)**  
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## SECTION I

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### Introduction

This is the seventh quarterly report for the **Bolivian Trade and Business Competitiveness (BTBC)** project. The BTBC contract (Contract No. PCI-1-00-98-00015-00, Task Order 11) was signed by USAID/Bolivia and Chemonics International Inc. on December 31, 2002 and project implementation started at the end of January 2003. The current contract end date has been extended from December 31, 2004 to March 31, 2005 per modification number 5 of the above referenced contract number.

The overall project objective is to help Bolivia reduce poverty through increased investment and employment creation, as a result of improvements in productivity and access to external markets. The project is focused on the following priorities:

- A. Improve the business environment and operative conditions in Bolivia through the elimination of systemic constraints in order to improve competitiveness and assist economic growth and exports. Factors that will contribute to this “productive environment” include:
  - Effective institutional, legal, administrative and regulatory conditions;
  - Development of human resources, especially in the area of foreign trade and negotiation, and;
  - Coordination and collaboration between the private and public sectors, especially in those efforts oriented to the use of concessions offered by key commercial agreements like the Andean Trade Preferences and Drug Erradication Act (ATPDEA).
- B. Stimulate competitive production of goods and services and private sector exports, particularly in the sectors of wood products, textiles, leather goods, and jewelry. The approach is practical, geared towards generating quick and significant results, clearly surpassing defined obstacles to cover existing market demands. BTBC is achieving this by creating linkages between producing companies and market opportunities at the national, regional and international level, and by providing Bolivian SMEs with carefully targeted technical assistance in production, management, and marketing.
- C. Define, develop and analyze long term interventions to improve the Bolivian trade capability and competitiveness on a larger scale. The project’s focus on this area concluded with the BTBC Phase II Conceptualization Paper set forth in Q5.

## SECTION II

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### Key Achievements during the Quarter

#### **A. Activities Geared towards Improving the Business Environment, Including Institutional Strengthening**

##### **A.1. “Foreign Trade and National Development” Communication Campaign Launched: Helping to Generate a National Economic Consensus**

All components of the communications campaign are now fully operational. Key achievements during this quarter include:

- The mass media component – including TV spots, radio jingles and newspaper ads - was intensified after a period of inactivity in July, during which we decided not to try to compete with the Hydrocarbon Referendum. The mass media campaign will now continue until the end of October.
- The following public seminars were organized and attended by both the public and the private sectors.
  - A presentation and debate on “Public Policies for the Promotion of Exports”, with Minister of Economic Development Horst Grebe, was held in the cities of La Paz, Cochabamba and Santa Cruz on July 16<sup>th</sup>, 17<sup>th</sup>, and 18<sup>th</sup>, respectively.
  - A presentation of the Study on the FTAA and its Impact on the Economy of Bolivia, was held in La Paz, Cochabamba and Santa Cruz on September 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup>, respectively.
- The website and DATAROOM of the campaign was launched in mid September at the following address: [www.boliviaexporta.com](http://www.boliviaexporta.com),

##### **A.2. Training Course for Bolivian Negotiators: Strengthening Bolivia’s Capacity to Negotiate Trade Agreements**

The Florida International University training program for Bolivian negotiators was concluded at the beginning of this quarter, with the workshop: "Impact Analysis of International Trade Negotiations", held in the city of Sucre between June 26 and July 2<sup>nd</sup>.

With this workshop we concluded a total of 190 hours of instruction and negotiation practice over three eight-day periods, during which 42 Bolivian professionals were trained.

We are very pleased to report that six graduates from our training course have been incorporated into the Bolivian negotiating team. As such, they are now participating in the process that is expected to lead to a Free Trade Agreement between the Andean countries and the United States.

##### **A.3. More Competitive Enterprises: Strategic Management Training Program for SMEs of the City of El Alto**

The design of this high-level management course and the selection of the 35 participants was completed last quarter. The program itself was implemented in July, August and September, with the following training modules:

1. Accounting and Basic Finance
2. Marketing
3. Entrepreneurial Strategy
4. Management and Leadership, and
5. Business Simulation Workshop

One of the most noteworthy and highly regarded features of this course was that classroom sessions were followed up with visits by instructors to each of the participating SMEs in order to verify the correct implementation of lessons learned. These visits resulted in improved diagnosis of particular problems or issues and in actual improvements to efficiency and productivity.

Even though ten participants dropped out of the course, the remaining 25 SME managers were highly motivated and impressed by the results obtained in the areas of management skills, analysis and problem-solving, and leadership abilities and attitudes. The experience was also highly regarded by the Master's Program of Universidad Católica Boliviana, as a way to bring the university closer to real-life experiences.

#### **A.4. Study of Current Employment Generated by the Manufacturing Export Sector in Bolivia since the Implementation of the ATPDEA and its Future Trends**

At the request of the National Chamber of Exporters, BTBC is funding this study, aimed at gathering information about the employment generated by the export manufacturing sector of Bolivia. Results are expected by the end of 2004.

### **B. Activities to Stimulate Production and Exports**

During this quarter BTBC continued and intensified its technical assistance activities in support of Bolivian manufacturers. Our work has resulted in important gains in productivity, employment, production, exports, SME business and human resources training. Cumulative new jobs in BTBC-backed companies remained this quarter at 1,424 as a consequence of slight declines in employment in the textile/apparel and leather companies, which were compensated by new jobs in the fine fibers and secondary wood products companies we currently assist. In all sectors – but especially in fine fibers - we have expanded the number of companies receiving BTBC assistance. BTBC-backed exports in the quarter have risen by an additional US\$1.6 million, and 34 new SMEs have been subcontracted by exporting firms.

Overall, since its inception, BTBC's technical assistance program to more than 50 companies has been instrumental in generating almost \$12 million in additional exports and over 1,400 direct new jobs. This increase in direct jobs has been accompanied by an estimated additional 2,100 indirect jobs. Considering that the average worker in Bolivia

has 4 dependents, we can estimate that some 17,500 people receive their livelihoods from BTBC-generated jobs (7,000 from direct jobs and 10,500 from indirect jobs).

BTBC has been able to integrate some 100 SMEs into the export chains, mostly producing under subcontract for larger exporting companies and in some cases exporting directly. Because many BTBC supported SMEs sell in the Bolivian domestic market, BTBC interventions have also generated an increase of some US\$ 200,000 in local sales. In order to reflect these results, we are including local sales as a new indicator in our results tables.

**Some 17,500 people receive their livelihoods from BTBC-generated jobs, based on averages of 1.5 indirect jobs per direct job and four dependents per worker.**

Throughout BTBC's work, we have placed strong emphasis on training and development of Bolivian human resources at every level. BTBC has provided training for over 3,100 people, of which roughly 1,600 have been trained in wood products, 1,000 in garment manufacturing, 400 in leather and jewelry, and 200 in fine fibers. Much of this training was on the-job, but we also trained many people in structured workshops or seminars. Given the magnitude of BTBC-facilitated training, we have also included training in our results tables.

The following table summarizes BTBC's overall results in the productive sector. Sector breakdowns and additional detail are provided in the corresponding sections of this report.

### **Estimated Cumulative Results in Support of the Productive Sector to Sept. 2004**

<i><b>SECTOR</b></i>	<i><b>New Direct Jobs*</b></i>	<i><b>New Exports (U.S.\$)</b></i>	<i><b>New Local Sales (U.S.\$)</b></i>	<i><b>New SMEs subcontracted for export</b></i>	<i><b>People Trained</b></i>
Textiles & Apparel	484	2,891,614	126,250	27	957
Fine Fibers	79	204,496	17,190	6	184
Secondary Wood Products	713	2,466,279	53,000	23	1,672
Jewelry	108	5,576,631	0	0	156
Leather Products	101	609,396	2,459	44	199
<b>TOTAL</b>	<b>1,485</b>	<b>11,748,416</b>	<b>198,899</b>	<b>100</b>	<b>3,168</b>
Indirect jobs	2,227	Average of four dependents per worker.			
<b>Total new jobs</b>	<b>3,712</b>				
Dependents	14,848				
<b>Total livelihoods</b>	<b>18,560</b>				

\* Employment figures are calculated using the following methodology: 1) For every company we assist, we calculate monthly the difference between baseline employment (before BTBC intervention) and current employment for the month; 2) The accumulated sum of the monthly figures of employment generation (or loss) are prorated by the number of months reported. For example, say a company had a baseline of 40 employees in April, before BTBC began assisting them. Suppose in May they had 70 workers, in June 90, in July 80, August 50, and September 30. The differences with the baseline would be +30, +50, +40, +10 and -10, and the accumulated average for the five months reported would be 120 / 5 = 24 new jobs created.

BTBC has achieved other important and sometimes intangible results in areas such as workplace health, safety and environmental practices, productivity increases, corporate

governance, gender issues, training and technology transfers. Some of these accomplishments will be discussed in Section III, “Detailed Quarterly Results”.

The BTBC consultant pools continue to work well, equipping the Project with extensive and versatile resources which we rapidly deploy as needed. This capacity to respond rapidly to a broad array of our clients’ needs has enabled us to increase the quantity, sophistication and effectiveness of our interventions.

BTBC’s impact has also been augmented by the fact that we are now obtaining significant business counterpart contributions for virtually every intervention we make. This leveraging allows our resources to go further, while at the same time eliciting a true commitment to improvement on the part of those companies who receive our technical assistance. Our resources have been further leveraged through increased coordination with other donor agencies and projects.

## **B.1 Textiles and Apparel**

- AMETEX represents almost 75% of Bolivian textile/apparel exports and is the largest employer in the country, with a headcount of about 3,000. BTBC is providing assistance through [TC]<sup>2</sup> to help AMETEX implement “lean manufacturing,” which will lead to substantial reductions in work-in-process inventories and major operating cost improvements.
- BTBC trained 174 people in textiles/apparel this quarter, reaching a total of 957 since its inception.
- BTBC helped MAQUIBOL subcontract production from three SMEs: Bogama in La Paz, Texturbol in El Alto, and Fremar in Cochabamba. In aggregate, these SMEs will assemble 25,000 garments for export to Walmart via MAQUIBOL.
- BTBC has procured two direct export orders for Bolivian apparel SMEs, which are exporting for the first time. These are Batos, which has received an order for 10,000 blue jeans from a Chilean buyer, and Anthony, which has received an order for 8,000 blue jeans from a Brazilian buyer.
- BTBC is working with the renowned Peruvian apparel trader, Daniel Abugatas, to manufacture garments for larger export orders by coordinating joint production by multiple Bolivian companies. If successful, this will lead towards the formation of an effective apparel manufacturing cluster.

## **B.2 Secondary Wood Products**

- With extensive BTBC assistance, Pacahuaras has now completed the installation of the machinery and equipment in its new plant in Riberalta, northern Bolivia. Once it is fully operational, Pacahuaras’ new plant will be one of Bolivia’s top producers of pre-dimensioned wood for parts and pieces, decking, flooring and finger-joined style boards for use in door manufacturing.
- BTBC has provided training for over 1,600 people in manufacturing wood products, of which 336 were trained this quarter.

- BTBC provided extensive technical assistance to Casablanca and the eleven SMEs to which it outsources finished products for export. BTBC played an important role in obtaining a pivotal partner for Casablanca, who is injecting fresh funds and providing lumber through his own forestry concession.
- BTBC technical assistance has helped Muebles Hurtado improve delivery times and quality, boosting demand. They are now manufacturing two shifts: indoor furniture during the day and garden furniture during the night.
- During the quarter BTBC has provided kiln-drying assistance to eight companies in Tarija, Cochabamba, Santa Cruz and Cobija, and has trained over 41 people in improved kiln-drying techniques. One example is Cimal, where we have completed implementation of a new kiln-drying system developed by a BTBC consultant, which in the initial runs has increased kiln output by 25%. Cimal's increased output of dried wood is expected to lead to the creation of 75 new jobs and a one million dollar increase in Bolivia's exports.
- BTBC has helped IBEMA develop its expansion strategy for the U.S. market and the domestic market. As part of this strategy, IBEMA has opened representative offices in Virginia to drive its U.S. sales. IBEMA will invest about \$100,000 to start-up and operate its US marketing activities in the first year.
- Through its team of consultants, BTBC has been able to encourage active subcontracting of parts and pieces among BTBC-assisted companies. One example is production for the Spanish group Anaconda, in which BTBC has incorporated three new SMEs to the export chain, namely BTL, Pisolack and Andean Tropical Hardwood.
- BTBC is contributing the central consultant for the wood collection hub project coordinated by FUNDAPRO. USAID has allocated a substantial sum of money to help fund the project, against an equivalent or greater contribution from a private sector group to be selected through a bidding process. Once operational, the wood collection hub will allow small and large providers of raw lumber to easily do business with small and large manufacturers of wood products.

### **B.3 Fine Fibers, Leather and Jewelry**

- This quarter BTBC considerably expanded its activities in the fine fibers sector by commencing assistance programs to four new companies, namely Fotrama, Inti Wara, Knitted Apparel and Shalom.
- Design is critical for the success of Bolivian fine fiber products in the international markets. In order to strengthen Bolivia's design capacity, BTBC hosted a variety of textile and garment design courses with Fundes, Universidad Real and CEPROBOL. The courses were offered in beginner, intermediary and advanced levels and a total of about 160 people attended.
- We are providing assistance to two hand-knitting groups, namely Fotrama, an association which produces its garments through 16 groups totaling over 300 women, and Altifiber/Altiknits, a company outsourcing production to a further 300

women. In 4Q04 we will commence assistance to another major knitting network, which employs approximately 1,000 women.

- Millma is one of the major exporters of knitted alpaca garments in Bolivia. BTBC has introduced Millma to eight small and medium textile manufacturing companies with appropriate capabilities for Millma to outsource industrially knitted garments. Of these eight introductions, Millma has selected three to develop samples: Batt (of the AMETEX Group), Neobol and Shalom. Millma is hoping to subcontract part of its upcoming 2005-2006 collection to one or more of these companies.
- BTBC's ongoing assistance to Macaws enabled the leather goods company to incorporate 50 new SMEs into its outsourcing network. In addition, with extensive BTBC assistance, this quarter Macaws finally achieved the OSHAS 18000 certification, making it the first Bolivian company to be internationally certified in occupational safety and health.

### **C. Other Key Achievements**

- Fexpocruz 2004. BTBC participated in Fexpocruz 2004, Bolivia's most important trade fair, with a 900 sq. ft. stand (90m<sup>2</sup>) in the Exporters' Pavilion. Ten Bolivian export companies from the garment, wood products and jewelry industries, all of them part of BTBC's technical assistance program, exhibited in the stand. The objective was to show real examples of how BTBC can help companies grow and export, and to give the participating companies an opportunity to show their export products and make contact with potential buyers.

Fexpocruz had almost 400,000 visitors. A brochure with general information about BTBC and the ten participating companies was developed and 10,000 copies were distributed during the fair. Many distinguished individuals visited the stand, including the President of Bolivia, Carlos Mesa, and the USAID Mission Director, Liliana Ayalde, who expressed her compliments for the job done.

- U.S. Congressional Delegation. BTBC coordinated a visit on August 18 to Muebles Hurtado by a U.S. Congressional Delegation led by Congressman Jerry Weller (R-IL). The delegation members showed great interest in the presentations on Muebles Hurtado, Casablanca and the subsequent tour of the Hurtado manufacturing plant. They were very impressed with the fine craftsmanship that is worked into the industrial production of the wood furniture.

## SECTION III

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### Detailed Quarterly Results

#### **A. Activities Geared towards Improving the Business Environment, Including Institutional Strengthening**

##### **A.1. “Foreign Trade and National Development” Communication Campaign Launched: Helping to Generate a National Economic Consensus**

All components of the Communication Campaign are now fully operational, including the airing of spots in national TV, radio jingles and newspaper ads, public seminars in the country’s main cities, and a working website/Data Room whose operation has been turned over to the Chamber of Exporters. The baseline national survey has also been completed and will be used to measure campaign impacts.

##### **A.1.a Supervisory Activities**

- Distribution of campaign posters directly and through the six chambers of exporters.
- Supervision of TV spots and jingles aired in the national mass media.
- Periodic meetings to examine contents and technical scope of the Data Room.
- Training for the administration of the Data Room, tool reception, data update, collection of information to update the system, distribution of responsibilities between BTBC and CAMEX for management and operation of the Data Room, and follow up and update of its operation.
- Generation of a database for event guests and logistical organization of seminars (supervision of printing and distribution of invitations for the events, seminar evaluation meetings, etc.) in coordination with the Export Chambers of La Paz, Santa Cruz and Cochabamba.
- Report on the current state of expenditures and progress of the Communication Program.
- Update and amendment of the Tironi & Asociados subcontract in order to reflect adjustments in activities and budget execution.

##### **A.1.b Public Education/Information Events**

The series of public education/information events was initiated this quarter, having completed two of the six events planned.

- **Discussion Forum on “Public Policies for the Development of Exports”**

This opening event was held in the cities of La Paz, Cochabamba and Santa Cruz on July 16, 17 and 18, respectively. It set the stage for the rest of the series by providing the government and the private sector with a forum in which to present their positions with respect to the importance of exports to the Bolivian economy and discuss public policies that should be used to promote them.

The event was successful in attracting the government authorities responsible for export promotion: Minister of Economic Development Horst Grebe was the keynote speaker in the three sessions, and Vice Ministers Ana María Solares (Industry, Commerce and Exports), Carlos Tadic (Micro and Small Enterprise) and Victor Barrios (Agriculture, Cattle and Fishing) also participated. The private sector speakers included the president of the Chamber of Exporters of La Paz, the president of the Chamber of Exporters of Santa Cruz, and other distinguished entrepreneurs.

There were a total of 308 attendees in the three events: 130 in La Paz, 70 in Cochabamba and 60 in Santa Cruz. These included representatives from local and national government, academia and private sector. Over a dozen media representatives attended each of these sessions and provided ample coverage.

Following are the main conclusions from the event:

1. After years of economic stabilization programs, the government's philosophy is changing to a more proactive public presence in order to facilitate Bolivia's participation in international markets.
2. The four priority sectors to stimulate economic growth and exports are hydrocarbons, new mining, manufactured products and tourism.
3. In order to reach 10 billion dollars in exports by 2010, the following is required:
  - a. New financing mechanisms.
  - b. A public-private partnership and commitment to promote exports.
  - c. To be competitive domestically in order to combat contraband and improve exports.
  - d. A change of attitude towards more innovation on the part of business owners and defense of their workplace, on the part of labor.
4. The government plans to act in the following areas:
  - a. Preserve macroeconomic stability, not as an end in itself, but as an instrument to encourage investment and growth.
  - b. Enact policies to support and foster productive transformation and a new system of export-financing.
  - c. Establish a system to monitor and evaluate public policies.

.....in the immediate past the international insertion of the country has not changed. Our income came largely from drugs and international charity, which has had a direct consequence on our position in the world. For the future, we should transform our image from that of a poor country looking for handouts to that of a serious trading partner.

..... The third strategic sector is manufacturing. In contrast to hydrocarbons and minerals, that do not generate massive employment, the production of textiles, apparel, leather products, wood, jewelry, crafts, etc. is labor-intensive. That is to say, the transformation of basic products into goods with added value.

.....We have the markets necessary to reach the proposed goal of 10 billion dollars in exports in the next six years. It is doable if we maintain the export growth rates of 2003 and 2004, and add new exports from the hydrocarbons and mining sectors.

Dr. Horst Grebe  
Minister of Economic Development

- d. The focus on productive chains is correct as long as participants are willing to assume their commitments; it is necessary to create adequate management mechanisms to accomplish this goal.
  - e. It is not possible to specialize in everything. We need to prioritize what sectors will be supported.
  - f. We need to take advantage of existing trade agreements, and extend these to new markets.
5. Private sector proposals:
- a. An institutional and political will is required to support exports. The government should intervene firmly in areas like: export and investment promotion, sector development policies; facilitation of export activities, and elimination of anti-export tax biases.
  - b. Special support for development of SMEs. The modern SME shows an attitude for innovation and business organization.
  - c. Financing is a bottleneck; access to financing is absolutely necessary to reach greater levels of exports.
  - d. Legal security is necessary to promote domestic and foreign investment.
  - e. Effective fight against contraband.
  - f. Pilot program to support export companies, especially SMEs, based on successful export experiences.

• **Presentation of the *Impact Study of the FTAA on the Bolivian Economy***

In consultation with the chambers of exporters and with USAID/Bolivia, BTBC decided to include dissemination of its two sector studies on the impact of trade liberalization as part of the public education events of the Communication Program.

The first to be presented and publicly discussed was the *Impact Study of the FTAA on the Bolivian Economy*, held in Santa Cruz on September 1<sup>st</sup>, in Cochabamba on September 2<sup>nd</sup>, and in La Paz on September 3<sup>rd</sup><sup>1</sup>. The presenters were the authors of the study: Gustavo Svarzman, Pablo Garcia and Juan Carlos Requena, who were joined by a group of distinguished commentators from the public and private sectors, including the president of CADEX; the general manager of IBCE, the Vice Minister of Industry, Commerce and Exports, and the dean of the Universidad Privada Boliviana.

The three presentations of the study summoned a total of 114 guests, of which 45 in Santa Cruz, 35 in Cochabamba and 34 in La Paz, representing different areas of production, public administration, academic sector, civil society and the international donor community.

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<sup>1</sup> The other study is specifically about the prospects of the soybean sector given growing trade liberalization in the region.

At the end of the presentation in La Paz we held a technical workshop for those interested in going more in depth regarding the statistical model used as a basis for the study.

Attendees to this workshop included the Unit of Economic Policy Analysis (UDAPE), the Vice Ministry of Tax Policy, the National Institute of Statistics (INE), the Vice Ministry of International Economic Relations, the Vice Ministry of Industry, Commerce and Exports, and the Institute of Social and Economic Research of the Universidad Católica Boliviana.

Among the most representative reactions of participants to the presentations of the study are the following:

- There is an evident concern in relation to Bolivia's absence in the negotiations of the Free Trade Agreement between the US and countries of the Andean Community of Nations. This situation is highly damaging to the country because of the difficulty of preserving the trade access and preferences that Bolivian exports enjoy *vis a vis* exports from third countries, thanks to the ATPDEA.
- Some civil society organizations voice grave concerns about Bolivia's entry into the FTAA, and now have begun to protest against the possible subscription of a FTA with the United States. The underlying debate is about how Bolivia is to participate in an increasingly interrelated world economy.
- Much of the business sector considers it very serious if the country isolates itself, because it risks losing important markets and even greater opportunities, as well as access to financing and to international donors.
- Some private representatives believe that the government does not participate fully in negotiations with the U.S. because of pressure by certain political organizations.
- It is inevitable that – as trade liberalization progresses through agreements such as CAN-MERCOSUR, CAN-USA and FTAA – Bolivia's current preferential trade access will be eroded. Thus it is essential to look for new markets, diversify exports and, most importantly, improve productivity and competitiveness.

#### **Consequences of not participating in a Free Trade Agreement with the United States**

- Possible loss of tariff preferences and markets.
- The Bolivian economy by itself is too small to generate an industrial development that guarantees employment, income and improved quality of life.
- Become isolated from the exporting circuits in those areas where we are concentrating our efforts.
- If we delay, when we realize our mistake we will have to resignedly accept whatever trade agreement is out there, having lost the chance to negotiate in good terms.

#### **Actions Required**

- Immediately enter into negotiations of the FTA with the U.S.
- Seek ways to maintain our preferential status in the context of the agreements currently being negotiated by MERCOSUR.
- Seek free trade agreements with Central America, a region with potential demand for Bolivian products.
- Negotiate agreements with Europe, Asia, Russia and Japan in order to diversify markets and supply.
- Promote a new attitude of companies towards society in order to improve their public image.
- Public education to overcome false concepts that are being promoted against the free market.
- Help the government assimilate the impact of making the decision to participate in the negotiations.

Guillermo Pou Mont  
Vice President of CAMEX

- The argument that opening markets has a beneficial effect on smaller economies has failed because these economies don't have the capacity to compete with products from other countries or with subsidized agricultural production.
- The private sector is making its own efforts to improve production and productivity, but the government is not doing its part in relation to basic tasks such as investment in technology, infrastructure, export promotion, and fundamentally, creating the conditions of stability to motivate private investments.
- Even if new markets are opened through negotiation, it is difficult to plan ahead because the country lacks an exporting strategy, a long-term vision, and predictable economic growth policies.

### A.1.c Impact Evaluation Mechanisms

In July we presented the results of the survey on "Perceptions and attitudes against the Free Trade Agreement (FTA)", conducted last quarter in La Paz, El Alto, Cochabamba, Santa Cruz and Tarija.

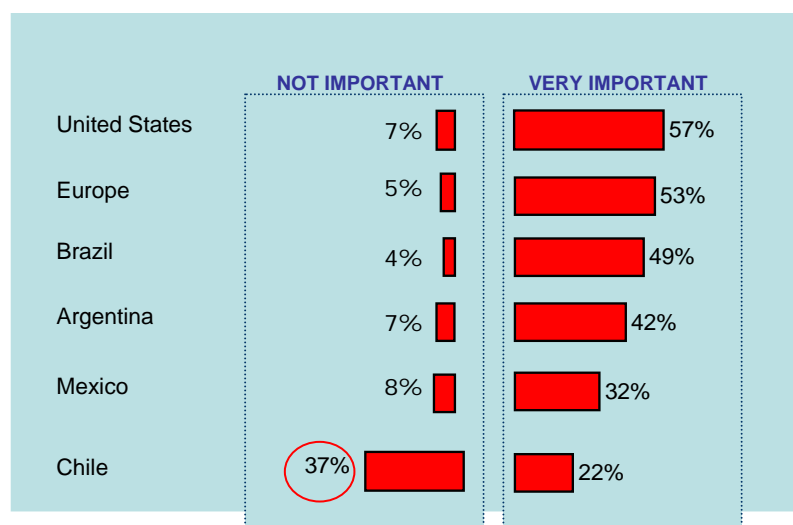
The survey sought to identify perceptions and attitudes about the economic situation of the country and about Bolivian trade relations, particularly in relation to a FTA with the United States and in relation with the Andean Community and with Mercosur.

The target group consisted of adult men and women in five socio-economic strata. The type of survey sample was conglomerates with random selection of areas and neighborhoods and systematic selection of home and interviewee. The size of the sample was 2000 (400 per city), with a margin of error of 5% per city.

The following figure shows the importance that Bolivians engage in trade relations with the U.S.:

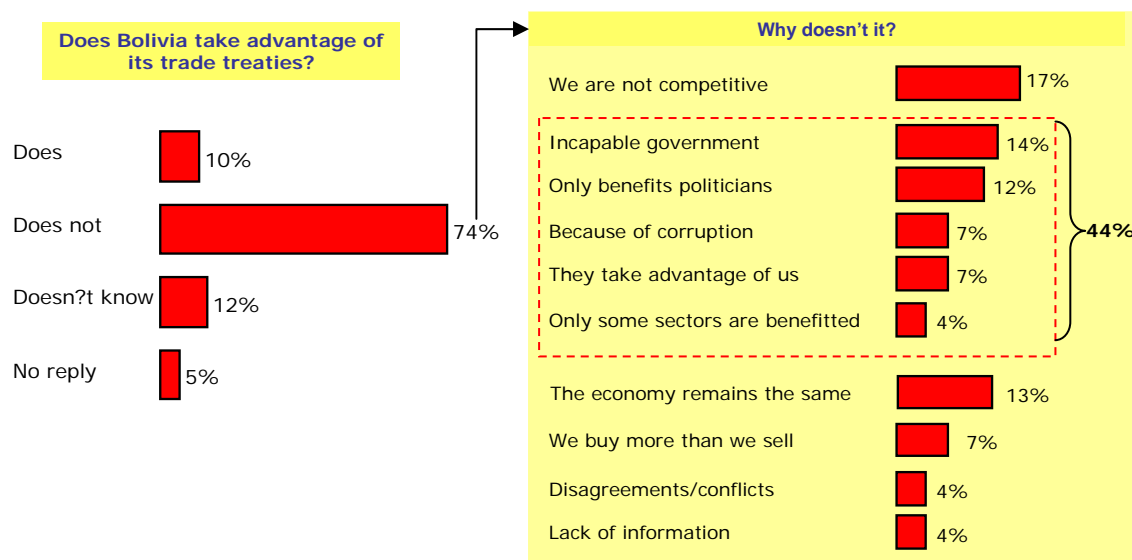
### Importance of our Trade Relations with...

PERCENTAGE OF THOSE WHO BELIEVE THE RELATION IS ...

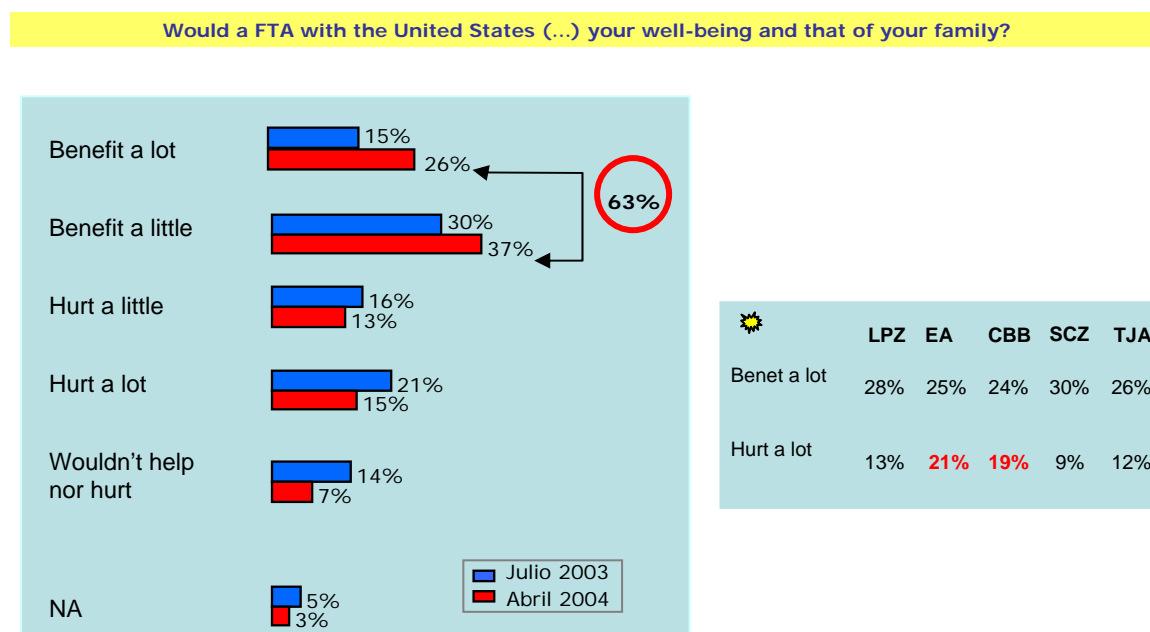


Another important revelation of the study is the perception of benefits from existing trade agreements, as shown in the following chart:

## Bolivia and its Trade Treaties



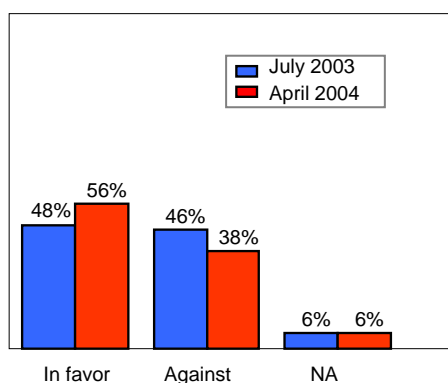
With respect to people's perceptions regarding the FTA and the way in which these have changed from a previous survey carried out in July of 2003, the following figure shows us the positive change of attitude:



The survey shows that around 63% of the interviewed population believes that the signing of a FTA with the US will benefit the country between a lot and a little.

The survey then compares attitudes in July 2003 regarding the FTAA and in April 2004 regarding a FTA with the U.S. Interestingly enough, in April 2004 38% of those interviewed responded that the bilateral scheme is more convenient for Bolivia, compared to 18% that said the FTAA was more convenient.

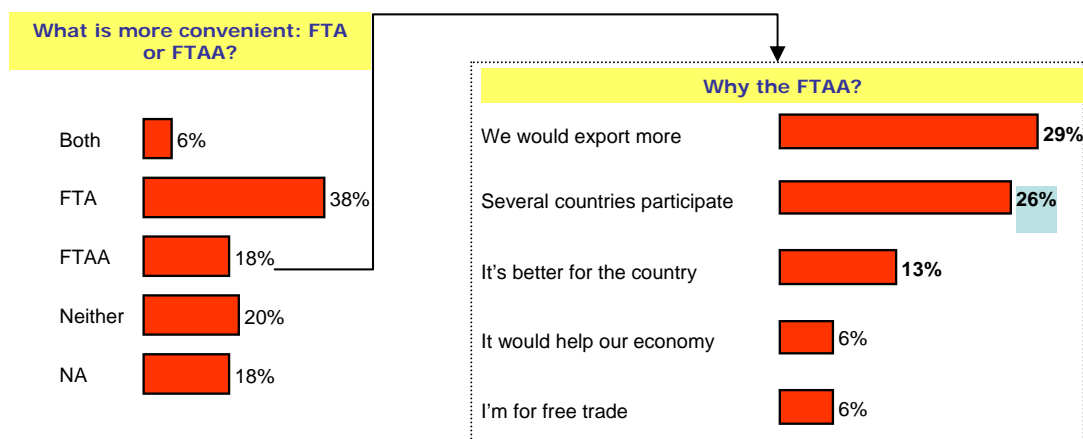
**Would you vote for or against a FTA with the United States?**



	La Paz		Cochabamba		Santa Cruz	
	ALCA	TLC	ALCA	TLC	ALCA	TLC
A favor	51%	57%	33%	45%	67%	62%
En contra	44%	39%	65%	47%	22%	29%
NS/NR	5%	5%	2%	8%	11%	9%

The following figure shows why those interviewed consider the FTA beneficial for Bolivia:

**Attitudes towards a FTA**  
**Is it more convenient than the FTAA?**



Given the importance of these perceptions, not only to guide the activities of the Communication Program, but also to provide the Bolivian Government with useful decision-making information, the study was presented to Vice Minister Ana María Solares and to the national negotiating team on July 23<sup>rd</sup>, hours before their trip to participate in the Lima Round of the CAN-U.S. trade agreement negotiation.

The results of the survey were also shared with the U.S. Embassy in La Paz and disseminated to the Bolivian press, which gave them significant coverage.

## **A.2. Training Courses for Bolivian Negotiators: Strengthening Bolivia's Capacity to Negotiate Trade Agreements**

The training program for international Bolivian negotiators was concluded at the beginning of this quarter, with the workshop: "Impact Analysis of International Trade Negotiations", held in the city of Sucre between June 26 and July 2<sup>nd</sup>.

The workshop provided 60 hours of instruction and negotiation practice over an eight day period. The instruction focused on issues and methodologies for developing and assessing alternative negotiating positions in the current negotiation context, and in balancing options and evaluating trade-offs in terms of benefits and drawbacks for Bolivia. This workshop utilized specific sector situations in the current Bolivian economy as the basis for the practical exercises. Based on consultations with the Chemonics project manager, FIU presented a thorough and realistic approach to alternative methods for analysis of the impacts of different trade negotiation strategies and outcomes. Participants were provided with a manual of background and preparatory readings prior to the opening of the Workshop and were requested to review and study these materials in their off-hours during the first two days of preparatory presentations.

FIU's training methodology consisted of 20 class hours of preliminary briefings and instruction and approximately 40 hours of simulated negotiations based on previously prepared materials covering actual factual and statistical information on three areas of the Bolivian economy: agroindustry, with emphasis on the oleaginous sector; manufactures, with emphasis on the textile sector; and intellectual property rights, plus a fourth dossier on positions of Bolivian civil society.

The workshop featured a specially designed negotiation problem based on the FIU trade training team's prior analysis of the mentioned Bolivian economic sectors and the civil society positions. The parallel context was the ongoing FTAA process, and more particularly, the eventual Bolivian adhesion to the separate US-Andean FTA negotiations in early 2005. The Workshop objective was to develop a simulated unified national negotiating position.

USAID CTO Denise Fernandez attended several workshop sessions as did USAID/Bolivia Deputy Economic Opportunity Sector Officer Margaret Enis. They were briefed and discussed the workshop purposes, methodology and context with Carl Cira, Rodolfo Rua and other FIU/INTEGRAL instructors, as well as with Walter Nuñez, who was present and participated throughout the Workshop and served as a resource and facilitator as well.

At the end of the workshop, a special seminar was organized to assess the content and objectives of the entire training program. Government authorities and business leaders from the participating private organizations were invited to the seminar. The workshop closing ceremony on July 3<sup>rd</sup> was attended by Mr. Victor Barrios, Viceminister of Agriculture, Livestock and Fisheries, and by Ms. Margaret Enis from USAID/Bolivia.

Mr. Isaac Maidana, Vice Minister for External Economic Relations, joined the group the next morning and contributed to the course by providing an extensive briefing on the status of negotiations regarding the FTAA and other regional agreements. He in turn was provided with a detailed report on the structure and content of the course, as well as on the progress achieved by the participants. Vice Minister Maidana highlighted the importance of the course in identifying and preparing new potential participants for Bolivia's negotiation teams.

Below is a brief summary of the results of the entire training program for trade negotiators:

- A total of 190 hours of instruction and negotiation practice over three eight-day periods. Courses on Trade Negotiation Skills, Market Access in the FTAA and Impact Analysis of Trade Agreements.
- Instruction provided to 42 Bolivian professionals, 27 from the public sector (19 of which were from the Ministry of Foreign Relations), and 15 from the private sectors of La Paz, Cochabamba and Santa Cruz.

### **A.3. Strengthening the Intellectual Property Rights (IPR) Regime in Bolivia**

On September 6<sup>th</sup> Viceminister Ana María Solares was unexpectedly removed from office and Mr. Juan Carlos Iturri was sworn in as the new Vice Minister for Industry, Commerce and Exports. Soon after Mr. Iturri took office, the USAID/Bolivia EOSOT and BTBC teams arranged a meeting to discuss with him, among others, all matters pertaining to the strengthening of the intellectual property rights regime in Bolivia. Mr. Iturri acknowledged the importance of the topic and assured us he will give priority to the SENAPI reform process and to the approval of a Supreme Decree which clarifies Bolivia's adhesion to Andean Community legislation pertaining to intellectual property rights.

### **A.4. More Competitive Enterprises: Strategic Management Training Program for SMEs of the City of El Alto**

Between the months of May and July, the Universidad Católica Boliviana "San Pablo", through their Master's Program for Development, worked in the different steps necessary to carry out the course of Strategic Management for SMEs of El Alto. These steps consisted of identifying the total number of SMEs in the area, defining the selection criteria for their participation in the course, and designing the structure and content of the course itself.

The training program began towards the end of July, with 35 companies selected using the following criteria:

- In-depth interview in order to determine predisposition to learn and to implement modern managerial techniques.

- That the company be at least five years old
- That the number of employees be seven or more.
- That the shops be located in the city of El Alto
- That the activity be production of goods or services

### **Selection Process**

Working with public and private institutions with presence in El Alto – such as chambers and associations, micro-credit and training institutions, and local government - the UCB team was able to develop a database of close to 500 SMEs. From this grouping, it was possible to identify 178 units that initially met the selection criteria.

The 178 units were contacted and the training program's objective and scope was explained. Sixty-four companies showed an interest in participating. Specific visits were then carried out to interview the owner or manager of each one of the 64 firms, after which only 35 SMEs remained, divided in the following sectors:

<b>Sector</b>	<b>No. of Companies</b>	<b>Percentage of Companies (%)</b>	<b>Total Employees</b>
Apparel	15	42	145
Metal-mechanic	5	14	25
Wood	4	11	38
Textiles	3	9	36
Food	3	9	26
Handicrafts/Pottery	2	6	42
Polymers/Plastics	1	3	10
Shoes	1	3	6
Mining	1	3	14
<b>TOTAL</b>	<b>35</b>	<b>100</b>	<b>342</b>

As can be seen, the bulk of the selected SMEs (67%) are in the areas of apparel, wood production and metal-mechanic, which reflects the fact that these sectors represent 62% of establishments in El Alto.

### **Diagnosis of the SMEs**

Once selected, the 35 business owners were diagnosed for their management capabilities in two areas: operations, particularly accounting and marketing, and strategic vision and leadership. The diagnoses revealed the following deficiencies:

- Lack of long term, strategic vision for the development of products, broadening of markets and improvements in productivity.
- No analysis of the industry or sector where they operate

- Little capacity to interpret the value of the productive chain and their particular role in it.
- Ignorance of the organizational structure of their industries.
- Product imitation rather than diversification, reduction of costs and/or specialization.
- Concept of leader as a hero and irreplaceable manager.
- Lack of motivational labor policies to generate abilities and commitments from their employees.
- Hardly any marketing practices and tools, which they consider a cost rather than an investment. They expect demand to come knocking on their doors.
- Accounting and financial management is precarious in more than 90% of the companies.

### **Academic Design of the Program**

The academic program of the course was designed by emphasizing that the contents be highly practical and useful for participating SMEs. In this sense, a challenge of particular importance was the adaptation and/or redesign of the contents of the graduate program in business management from the UCB, to the technical level of the participants.

The course had two central components: the training component and the personalized counseling component. The Training component consisted of the following modules:

- Accounting and Basic Finances for SMEs Managers (12 working sessions, held on July 26-29)
- Marketing and Sales (12 sessions, held on August 16 and 17)
- Business Strategy (12 sessions held on August 18 and 19)
- Management and Leadership (12 sessions held on September 13 thru 16)
- Business Simulation Module (from October 4 through 6, in the laboratories of the Universidad Catolica)

The personalized counseling component consisted of visits and counseling to each of the SMEs at the end of each training module. This meant that the UCB professors practically had to work full time with the companies from the month of June through October 15, serving as a sort of board of directors.

#### **The case of Mr. Edmundo Pinto, owner of the company “El Porvenir”, dedicated to the production of sport socks and “cholata” socks.**

When Edmundo started the program he believed that his company was fine and did not consider it necessary to change his management style. After participating in the course and receiving counseling from the Universidad Catolica team, he realized that his own situation could be even better if he only planned his strategies and activities and also if he could evaluate the impact of his decisions.

Thanks to this change in his perception of how to manage his company, Edmundo acknowledged a pending debt with a bank and established a financial plan to deal with it.

### **Some preliminary conclusions**

The attendance of participants to the four modules has surpassed 81% in all cases, showing the interest and seriousness in the management-training program.

In the last stage of the course, simulation exercises were carried out where each one of the SMEs worked in the immediate solution of critical problems, applying tools from the training program. The owners and managers of participating SMEs highly valued the fact that full time professors of a master's program helped them solve concrete problems within their own business units.

#### **A.5. Creating a Greater Capacity to Analyze Key Economic Issues: Consultancies to Support the Ministry of Economic Development (MED)**

During the course of this reporting period, Mr. Rodney Pereira, the consultant in Policy and Productive Plans, worked on the following activities:

- Preparation of a work agenda with CEPAL for the formulation of a proposal for growth promotion.
- Assistance and counseling for the Bolivian System of Productivity and Competitiveness, including prioritization of productive chains, support for National Dialogue activities, a document on associability, and a report on the Leather Products Chain.
- Progress report on productivity and competitiveness for the Cooperation Table of the Donors Advisory Group.
- Assistance and counseling for the participation of Bolivia in the negotiations of the FTA of the Andean Community of Nations with the U.S.
- Analysis of Bolivian exports to the U.S.
- Participation in Trade Capacity Building meetings, in the framework of the Hemispheric Cooperation Program.
- Analysis of Public Investment in the first semester of the year 2004.
- Analysis of the financial situation of the banking system.
- Report on the Balance of Payments and Foreign Debt of the First Semester.
- Analysis of the National Strategy of Agricultural and Rural Development ENDAR.

During the course of this reporting period, Mr. Jose Eduardo Gutierrez, consultant for the implementation of the Economic Development Plan, worked on the following activities:

- Development of a strategy for promoting economic growth.
- Support to the MED in the definition of a strategy so that the country can enter into the Andean-FTA negotiation with the U.S.
- Presentation on the importance of the FTA and the progress in the negotiations of the Andean FTA with the US to the media and private sectors.
- Analysis of the garment industry Gamarra Street experience in Lima, Peru and the possibility of replication in Bolivia. It was concluded that this experience is not entirely replicable in Bolivia, due to: i) the country does not have a relevant domestic market and ii) the textile and apparel producing sectors are extremely weak as a result of smuggling.

## **A.6. Study of Current Employment Generated by the Manufacturing Export Sector in Bolivia since the Implementation of the ATPDEA and its Future Trends**

Bolivia needs sustainable jobs in order to maintain economic and political stability. No reliable statistics exist on employment in the export sector, and these are needed in order to assess the impact that this sector has had and can offer under a competitive environment.

The study aims at gathering information regarding the number of jobs in the manufacturing export industry, in order to better understand where the efforts should be placed in the creation of new employment or how trade agreements should be negotiated in order to guarantee this growth.

The study will:

- Evaluate the three most important regions in Bolivia (La Paz, Santa Cruz and Cochabamba) that currently export manufactured goods.
- Gather information from the legally established firms to determine the employment generated by these 3 regions.
- Identify the industries at risk if no trade agreements or other means of commercial integration are implemented.
- Determine the number of people employed in each region by each sector.

The expected results are as follows:

- Up-to-date information on employment generated by the manufacturing export sector in the three principal regions of the country.
- A summary of the importance of trade agreements (TLCs) or other integration agreements for employment generation.
- Guidelines on where the most employment can be generated
- Only relevant information from other regions of the country, gathered from secondary sources, as complementary for further research.

BTBC has signed a MOU with the National Chamber of Exporters, which through its first Vice-president, will supervise and support the project until its completion and will provide all the elements needed to complete the report, including computer equipment, requests for information, and additional visits if needed. The study is expected to be finished by the end of November.

## **B. Activities to Stimulate Production and Exports**

### **B.1 Textiles and Apparel**

#### **B.1.a Overview of BTBC Activities in the Sector**

Bolivian exports of apparel continue to grow; from January to July of 2004 they reached \$27.7 million, 15% more than the same period of 2003. BTBC is contributing to this growth through technical assistance provided by its pool of specialized consultants in the following areas:

**Production systems.** BTBC has helped a number of companies embark on the transition from piecemeal production for the domestic market to highly efficient export production

systems, such as serial production, modular production and sub-assembly based production. In addition, we have worked extensively to improve the following key areas: productivity, times and movements, capacity increases, production planning and control, inventory management, plant layout, alleviation of bottlenecks and implementation of additional production lines.

**Quality control and Performance-linked remuneration schemes.** BTBC has helped companies increase productivity and competitiveness by improving product quality and worker motivation.

**Training.** 174 people have been trained by BTBC this quarter in areas such as lean manufacturing, basic sewing, quality control, industrial mechanics, production planning, and mid-level supervision. Training methodologies include courses, seminars, workshops, on-the-job and one-on-one.

*In the highly competitive world of garment manufacturing, worker productivity is fundamental.*

*BTBC has helped companies develop a variety of performance-linked remuneration schemes tailored to the specific circumstances of each company.*

**Incorporation of SMEs to the export chain.** BTBC has helped a number of larger exporting companies subcontract production from SMEs.

**Opening markets.** BTBC has developed agendas for commercial missions to Chile and Brazil, which have resulted in several trial orders for direct export by SMEs, such as the orders received by Batos and Jeshem. We have helped a number of companies develop samples to seek business in the United States, Europe and South America. For instance, we helped Texturbol develop a complete collection of samples of polyester garments for seeking orders in the US market. We are also providing assistance to Rey Wear in its efforts to enter the European market.

**Hand-knit garments.** BTBC is providing assistance to a company that operates a knitting network which produces cotton sweaters through 14 groups of knitters in El Alto. During the high season these groups employ approximately 400 knitters and in the low season about 130.

**Patterning and Design.** The fabric frequently represents over 70% of a garment's production cost. BTBC has worked with several companies to reduce fabric wastage rates through utilizing optimum patterning and cutting. We have also helped companies create patterning and design departments and develop technical specifications for their products.

**Effluent treatment.** BTBC has identified a water treatment specialist in Cochabamba with expertise in lower cost systems which is more economical for SMEs. We have introduced him to three denim laundering companies, which have retained his services to help them implement simple and economic effluent treatment systems. Once the performance of these smaller systems is demonstrated, BTBC will promote them extensively.

**ISO Certifications.** In coordination with an IADB-funded project, BTBC has selected 4 apparel SMEs to implement ISO 9000 requirements and proceed to seek certification.

**Access to Finance.** BTBC is providing assistance to Banco Bisa in the form of industry-specific training for generalist staff, as well as review and commentary on the viability of proposed business plans in the textile/garment sector.

#### **B.1.b BTBC Projects and Results in the Textiles and Apparel Sector**

BTBC-backed companies have increased exports this quarter by \$335,000, and local sales by \$188,000. BTBC is providing assistance to SMEs that are just beginning to export and therefore the majority of their business continues to be in the domestic market. As these SMEs move up the production curve, increasing their export volumes, an overall acceleration of BTBC-backed exports is projected for next quarter.

Cumulative employment in assisted companies has declined slightly. This is because two of the most important companies in the sector have gone through major changes.

Confecciones Record, which during 2Q04 reached 150 new jobs, is now outsourcing its sewing operations to two spin-off SMEs created by Record's previous workers. However, only one third of the 150 new jobs have been maintained in the new spin-off operations. MYTEX- ASEA, which during 2Q04, created 125 new jobs, has practically ceased production due to financial problems.

174 workers were trained this quarter, bringing the aggregate total to about 1,000. Training has been provided on-site in the companies and through workshops.

The table below reflects BTBC's employment and export results in textiles and apparel. The table now also includes number of people trained and local sales. It also includes a column of "Other Results", in which we register relevant accomplishments in areas such as productivity, corporate governance, environment, training and technology.

## Summary of Cumulative Results: Oct '03-Sep '04 – Textiles and Apparel

<i>Companies</i>	<i>New Jobs</i>	<i>New Exports US\$</i>	<i>New Local Sales</i>	<i>People Trained</i>	<i>New SMEs in export chains</i>	<i>Other Results</i>
BTX (MEL CONFECCIONES)	34	166,070	100,000	90	7	<ul style="list-style-type: none"> <li>Contact for export of 400,000 women's t-shirts to Footlocker</li> </ul>
CONFECCIONES RECORD	60	1,053,924	0	6	5	<ul style="list-style-type: none"> <li>30% increase in productivity</li> <li>Implementation of new layout and modular production process</li> <li>Company subcontracts all sewing services</li> </ul>
MITSUBA	12	46,000	0	7	0	<ul style="list-style-type: none"> <li>Installation of new Patterning and Design department</li> <li>5%-10% reduction in overall fabric waste during the cutting process</li> </ul>
MAQUIBOL	114	480,696	0	50	7	<ul style="list-style-type: none"> <li>Productivity increased by 30%</li> </ul>
ASEA-MYTEX.	50	909,934	0	150	4	<ul style="list-style-type: none"> <li>Installation of new production plant in the city of Cochabamba</li> </ul>
ALFACH	31	29,000	0	12	3	<ul style="list-style-type: none"> <li>Increase productivity by 30%</li> <li>Increase labor salary by 30%</li> </ul>
VAL FAL	3	1,700	0	10	0	<ul style="list-style-type: none"> <li>14% reduction in manufacture reprocessing due to new quality control procedures.</li> </ul>
JHECCEM	9	0	0	5	0	<ul style="list-style-type: none"> <li>Due to standardized patterns, new order for \$50,000 to Puerto Rico was closed</li> </ul>
MAKAM	9	13,040	0	15	0	<ul style="list-style-type: none"> <li>15% reduction in overall fabric waste during the cutting process</li> <li>New integrated management system techniques</li> </ul>
TRAILER	11	20,000	0	10	0	<ul style="list-style-type: none"> <li>Increase in productivity by 20%</li> </ul>
TORINO	10	44,200	0	13	1	<ul style="list-style-type: none"> <li>Increased production by 5%</li> </ul>
DINATEX	6	0	0	15	0	
IMAGEN	9	20,000	0	1	0	<ul style="list-style-type: none"> <li>Production time reduced between 25-30%; Local sales increased in 30%</li> </ul>
CORCEL	0	40,000	0	0	0	<ul style="list-style-type: none"> <li>New production layout and improved manufacturing system</li> <li>With Business plan, obtained loan for \$60,000 for new embroidery machine.</li> </ul>
TRES COLORES	4	9,000	0	0	0	
DIM's JEANS	11	24,800	0	15	0	<ul style="list-style-type: none"> <li>Production increased by 10%</li> <li>New integrated management system techniques</li> </ul>
BATOS	31	26,250	26,250	45	0	<ul style="list-style-type: none"> <li>Installation of new manufacturing plant</li> <li>First exporting order for 10,000 jeans to Chile was closed.</li> </ul>
BOGAMA	20	7,000	0	0	0	
UPC- Trainings of pool of consultants	0	0	0	300	0	
BANCO BISA	0	0	0	50	0	<ul style="list-style-type: none"> <li>Training to loan officers and project evaluators regarding the textiles and apparel sector.</li> </ul>
REY WEAR	0	0	0	20	0	
AMETEX	0	0	0	83	0	
TEXTURBOL	60	0	0	60		
<b>TOTAL</b>	<b>484</b>	<b>2,891,614</b>	<b>126,250</b>	<b>957</b>	<b>27</b>	

### **AMETEX, La Paz.**

Ametex is the largest textile and apparel manufacturing company in Bolivia, employing approximately 3,000 people and exporting almost \$25 million per annum, about 73% of Bolivia's textile exports. In order to meet its production commitments and generate sufficient cash to cover its obligations, Ametex considers it must improve its manufacturing efficiency from 60% to 80%.

In order to accomplish this goal, BTBC is helping Ametex cover approximately 25% of the cost of hiring the Textile/Clothing Technology Corporation [TC]<sup>2</sup>, one of the leading consultancy organizations for the apparel industry in the United States.

During this quarter BTBC helped design and negotiate a program of technical assistance with [TC]<sup>2</sup> to improve Ametex's production and quality of goods by implementing lean manufacturing teams and developing greater production flexibility. The program includes the following phases: 1) Lean Manufacturing Workshops; 2) Design and Engineering; 3) Pilot Team Implementation and Support, and 4) Employee Involvement Initiatives.

Activities began in September with a weekend workshop for Ametex mid- and senior management, and will run through the end of the year.

### **Alfach Jeans, Cochabamba.**

In July BTBC completed the implementation of a new production system by sub-assembly for Alfach Jeans, in order to achieve a rapid increase in productivity. In the first four weeks we have increased output from 4,000 to 5,200 garments per month (gpm). The objective is to continue increasing output to 8,000 gpm.

BTBC has helped Alfach design a performance-linked remuneration scheme, with increased payment for the workers based on their output and productivity. Under this new system, Alfach has been able to increase the average income for the workers by 50%, from Bs 500 to Bs 750 per month.

BTBC has provided training in this sub-assembly based production system to two SMEs that are subcontracted by Alfach. With BTBC's assistance, these SMEs have purchased four new double-needle sewing machines.

### **Texturbol, El Alto.**

BTBC has helped Texturbol implement a serial production system for garment manufacturing, and we have provided training for the workers under this system.

We have implemented a quality control system with checkpoints along the production line to detect any defects as early as possible, which has allowed the company to reduce defective garment rates from 20% to 5%. BTBC has trained four line supervisors in this quality control system.

Through a BTBC introduction, Texturbol has obtained a garment-assembly subcontract from MAQUIBOL. Texturbol has hired 40 new sewing operators for the garment assembly work under the MAQUIBOL subcontract.

BTBC has helped Texturbol develop a complete collection of polyester garment samples of for seeking orders in the U.S. market.

Texturbol was so pleased with the BTBC consultant that they hired him directly as permanent full-time staff.

#### **Batos, Cochabamba.**

Batos has many years of experience manufacturing and selling denim garments in the domestic Bolivian market. In recent months, the company embarked on an aggressive strategic plan to begin exporting. In order to approach internationally-competitive levels of productivity, Batos needs to improve plant efficiency by about 50%. In order to do this, BTBC has helped the company make necessary upgrades to its production systems and implement a performance-linked remuneration scheme for the workers.

Batos is concerned that its existing workers may resist the changes that are being made in the production systems and the remuneration scheme. For this reason, BTBC has helped Batos recruit and train 45 new employees with a fresh mentality open to the new approach. Thirty-five of these people have been employed by Batos and the other 10 have found jobs in other garment manufacturing plants.

BTBC arranged a sales trip for the manager of Batos to Santiago, Chile, in late September. As a result of the trip, Batos has closed a contract for 10,000 garments per month, under which the first delivery is due on October 30<sup>th</sup>.

#### **Mitsuba, Santa Cruz.**

BTBC has helped Mitsuba implement new formats and controls in the production area, improve the distribution of the machinery, and balance each of the production lines. We assisted in the production planning for each of the existing orders, both for export and for the domestic market.

The BTBC consultant trained a plant engineer in production planning by product and by client. He also trained a new plant chief, a new supervisor and three new quality auditors.

We helped Mitsuba implement a performance-linked remuneration system, by introducing a 30% bonus over the existing salary level for workers that meet their objectives. Finally, we helped organize Mitsuba's sales and warehousing.

#### **DINATEX, La Paz.**

BTBC is providing training for mid-level supervisors in four-hour sessions every Saturday. This is the only time that does not conflict with the participants' work hours and when the machinery is available. Ten select employees are attending these training sessions and will be promoted upon completion.

#### **Jeshem, Santa Cruz.**

Jeshem did a sales trip to the US to present the collection that was developed by BTBC's design and patterning consultant. As a result of this sales trip Jeshem has obtained a trial order for 7,000 garments (slacks and jackets). BTBC's production specialist is helping Jeshem with the production planning for the order. Three micro-producers will be subcontracted to assist in the production, which is to be delivered in early November.

#### **Rey Wear, El Alto.**

This is an exporter of hand-knit cotton sweaters, which subcontracts 14 groups of knitters in El Alto. During the high season these groups employ a total of some 400 knitters and in the low season about 130. Rey Wear's in-house production is relatively small, with about 18 people working. BTBC is helping Rey Wear improve its production systems and production planning. In order to expand its US sales, BTBC has provided assistance to Rey Wear in the production of samples for nine prospective new US buyers. In anticipation of orders from these new prospects, BTBC's specialist in production systems has introduced Rey Wear senior management to over 10 SMEs considered capable of producing for Rey Wear under subcontract in La Paz, Oruro, Cochabamba and Santa Cruz.

BTBC has helped Rey Wear improve the efficiency of its weekly shipments to clients, by implementing a system in which the subcontractors visit Rey Wear on agreed delivery dates to simultaneously drop off their finished product and pick up raw materials for their new production.

BTBC is also helping Rey Wear offer cotton sweaters to potential buyers in Europe. If European orders are obtained, this could double Rey Wear's production, potentially generating employment for over 1,000 people in El Alto.

#### **Confecciones Record, Santa Cruz.**

Confecciones Record is now manufacturing under the new outsourcing scheme that was mentioned in the previous quarterly report. They have completed the spin-off of two medium manufacturing plants from within their own operations, making their employees into entrepreneurs by transferring ownership of the equipment and machinery to them under favorable credit terms. Production is already being outsourced from these spin-offs.

BTBC has adjusted the focus of its assistance to support the success of the new outsourcing scheme. One of the key functions that continues to be executed in-house by Record is fabric cutting. Record provides the spin-offs with the pre-cut fabric, and they proceed directly to assemble the garments (an approach very similar to maquila). BTBC's design and patterning specialist has trained Record's cutting/patterning staff on the Lectra automatic cutter, which has led to substantial reductions in fabric wastage rates and improvements in the batch logistics for garment assembly in the spin-offs.

#### **MAQUIBOL, La Paz.**

In September, BTBC completed its technical assistance to MAQUIBOL with very good results. The plant has now made a full transition to modular production, achieving efficiency levels around 80%, much greater versatility and significantly reduced turnaround times.

BTBC helped incorporate three more SMEs as subcontractors for MAQUIBOL (Bogama in La Paz, Texturbol in El Alto and Fremar in Cochabamba), bringing the total to seven. As they develop their quality and delivery capabilities, in the future these SMEs may be able to export directly rather than through another exporter.

*BTBC has helped MAQUIBOL subcontract export production from nine SMEs. In the future, these SMEs might be able to export directly.*

**Trailer, Cochabamba.**

BTBC helped Trailer design and implement a new production system based on sub-assemblies, which has accelerated production, increased output and improved quality. We assisted in the implementation of a performance-linked remuneration scheme, which has led to an average 10% increase in workers' income. As part of these activities, the company has added ten new sewing operators to its production lines. BTBC trained a mechanical technician to maintain and repair the machinery and/or to adapt it according to the company's needs. We put Trailer in contact with a chemical engineer to help develop an economic water treatment system for the plant's effluents. We also put Trailer in contact with an IADB-financed project that provides assistance with implementation of ISO 9001.

**Corcel, Cochabamba.**

This is a small manufacturer of knit cotton polo shirts and t-shirts. Its main market is Chile, where it has been exporting for about one year. BTBC has assisted Corcel in a variety of ways, ranging from developing its business plan to market linkages.

This last quarter BTBC has helped Corcel alleviate several bottlenecks in its production process, which is allowing the company to cope with a seasonal peak in orders. The BTBC specialist in production systems is implementing a series of improvements, including better distribution of the machinery, monitoring times and methods, and on-the-job training for workers.

Corcel is negotiating a possible partnership with a Chilean manufacturer of knit cotton fabrics. The partnership contemplates the Chilean company relocating its production to Cochabamba, thus integrating vertically with Corcel's garment assembly operations. This would position Corcel well to offer full-package production rather than garment assembly services. A key factor in the decision will be closing a deal with an appropriate dyeing operation in Cochabamba. In order to facilitate a positive outcome, BTBC is offering to provide technical assistance to help the selected dyeing operation upgrade to the necessary standards.

**Bogama, La Paz.**

This is a small garment assembly operation that subcontracts for AMETEX and ASEA. More recently, through BTBC auspices, Bogama has also started subcontract production for MAQUIBOL. Though small, Bogama has significant growth potential, and has become one of the more important garment assembly suppliers for the exporting companies of La Paz.

Given its increasing orders, Bogama has relocated its production premises from Miraflores to El Alto, where labor is more abundant. Bogama is importing 20 new machines, for which it will employ a corresponding number of new operators.

**B.1.c Additional Activities in the Textiles and Apparel Sector**

- BTBC held a meeting with twelve medium apparel manufacturers in La Paz to develop a joint work plan with a view of providing them with technical assistance and help in

market linkages. At present, information is being compiled on each of these operations and their needs.

- BTBC is working with the Tarija Chamber of Apparel to jointly select 10-15 companies from its 30 members that will receive BTBC technical assistance to help them market their products across Bolivia.
- In coordination with an IADB-funded project, BTBC has selected four apparel SMEs to implement ISO 9000 requirements and proceed to seek certification.
- In Cochabamba, BTBC has identified an expert in water treatment and has introduced him to three denim laundering companies, which have retained his services to help them implement simple and economic effluent treatment systems.

## B.2 Secondary Wood Products

### B.2.a Overview of BTBC Activities in the Sector

As illustrated in the table below, Bolivian exports of wood products continue to grow at a steady pace, as exports for the period January-July 2004 show a 29% increase vis-à-vis the same period in 2003.

<b>BOLIVIAN EXPORTS OF WOOD PRODUCTS</b> <b>January-July 2003/2004, US\$ millions</b>			
<i>Product</i>	<i>Jan-Jul 2003</i>	<i>Jan-Jul 2004</i>	<i>% change</i>
Sawn wood	12.29	16.35	33%
<b>Sub-total primary wood products</b>	<b>12.29</b>	<b>16.35</b>	<b>33%</b>
Doors and windows	7.00	8.00	14%
Wood furniture	7.40	9.5	28%
Other wood products	2.20	3.50	59%
<b>Sub-total secondary wood products</b>	<b>16.60</b>	<b>21.00</b>	<b>27%</b>
<b>TOTAL</b>	<b>28.89</b>	<b>37.35</b>	<b>29%</b>

Source : SIVEX

We are pleased to note that in dollar terms, the growth in exports of secondary wood products (US\$ 4.4 million) has been greater than that of primary wood products (US\$ 4 million).

The growth in secondary wood products has primarily been driven by wood furniture and other wood products (notably flooring and decking), followed by windows and doors.

The dominant companies continue to be:

***Doors and Windows***

Mabet  
La Chonta  
UTD  
Sali

***Wood furniture***

UNITED  
Cimal  
Muebles Hurtado

***Flooring and Decking***

Jolyka  
Pacahuaras (through Mabet)

Some foreign buyers of wood products are visiting Bolivia to seek sawn lumber with no additional value added, with a view to exporting to Asia for processing. However, an increasing number of foreign buyers are beginning to see Bolivia as a competitive source of flooring and decking in tropical hardwoods.

Against this backdrop, during 3Q04 BTBC has increased its team of wood sector consultants providing active support to companies. With the additional consultants, BTBC has extended technical assistance to six additional companies, of which five are SMEs. BTBC consultants have played an active role in helping several exporting companies in the manufacturing of high-end indoor furniture and garden furniture. In other companies, we have worked intensively to help achieve quality levels suitable to the U.S. market.

The following is a summary of the main activities of BTBC wood sector consultants during 3Q04:

- **Planning and production processes:** Technical assistance in planning and production processes has been very dynamic this quarter, encompassing planning, production controls, quality control and training, as well as a new area of activity involving monitoring actual progress against production plans. Casablanca has continued to subcontract production from eleven SMEs in Santa Cruz. BTBC is helping Casablanca implement a production planning and control system that is significantly improving the performance of the multiple manufacturing processes that simultaneously take place. Milestones and time lines are established for each order with each SME. BTBC then monitors actual production against the milestones and Casablanca makes early payments if milestones are reached within the agreed time limits. This provides an incentive for the SMEs to produce according to the agreed timelines, and in addition improves their cash flow, as they receive funds against timely achievement of the milestones during the production process, rather than having to suffer liquidity shortages until making delivery of the entire production batch. This production and control system is already operating in Hurtado and Somaín, and will be rolled out to other Casablanca SMEs during 4Q04.
- **Kiln drying:** BTBC has been active in the critical area of kiln drying wood, a key factor in the quality and durability of wood products. During the quarter BTBC has provided assistance related to kiln drying to eight companies in Tarija, Cochabamba, Santa Cruz and Cobija, and has trained over 41 people in improved kiln drying techniques. BTBC's involvement has ranged from implementation and upgrading of kilns, to interventions at the sawmill level to obtain more uniform cuts of better quality wood to optimize performance of limited kiln capacity. In Cimal we have completed implementation of a new kiln drying system developed by a BTBC consultant, which in the initial runs has increased kiln output by 25%.

- **Classification and cutting of sawn lumber:** BTBC has provided assistance in classification of lumber in Tarija in southern Bolivia and in Santa Rosa del Abuná, near Cobija in northern Bolivia. In Santa Rosa del Abuná, BTBC has provided training to 50 people in classifying and optimizing cuts of wood. New areas have been identified for future BTBC assistance, such as assisting sawmills to diversify their cutting patterns to better utilize species of wood other than the currently-dominant mahogany. We have also identified a valuable potential role for BTBC in the chain of custody certification process.
- **Chain of custody certification.** BTBC has started helping sawmills and drying operations implement Smartwood/Forestry Stewardship Council (FSC) recommendations. This type of certification necessarily involves industrial value added to the wood, and is not the same as certification of forestry concessions.
- **Market linkages and commercialization:** Through its team of consultants, BTBC has been able to encourage active subcontracting of parts and pieces among BTBC-assisted companies. One example of this has been the production for the Spanish group Anaconda, in which BTBC has incorporated three new SMEs to the export chain, namely BTL, Pisolack and Andean Tropical Hardwood. Anaconda is very pleased with its business in Bolivia, and has expressed a serious interest in the possibility of investing almost \$1m in the country during 4Q04. In addition, a BTBC consultant assisted IBEMA in the implementation of a U.S. sales office in Virginia as well as in developing initial relationships with buyers. IBEMA was very pleased with the BTBC consultant's work, and has hired him to be their resident representative in the US. IBEMA is investing about \$100k to start-up these commercial operations.
- **Implementation of new ventures:** BTBC has been instrumental in helping to complete the installation of machinery, equipment and power systems in a major new venture, Pacahuaras, in northern Bolivia (see following Section).

## B.2.b BTBC Projects and Results in the Wood Products Sector

Cumulative employment in secondary wood products has risen with respect to last quarter, basically because BTBC has started providing assistance to ten new companies. Exports of wood products this quarter have increased by \$900,000, which is the highest growth among BTBC sectors. BTBC trained 336 people in the manufacturing of wood products during this quarter, reaching an accumulated total of 1,600.

*BTBC has provided training to over 1,600 people in manufacturing wood products. BTBC has trained more people in wood products than in any of our other sectors.*

## Summary of Cumulative Results: Oct '03-Sep '04 – Wood Products

Companies	New Jobs	New Exports (U.S. \$)	New Local Sales (U.S.\$)	People Trained	New SMEs in export chains	Other Results
CASA BLANCA	111	182,040	0	0	12	<ul style="list-style-type: none"> <li>Organization and planning of production for all SME's subcontracted by the company</li> </ul>
Mobilia	13	52,000	0	33	0	<ul style="list-style-type: none"> <li>Increased production of wooden floors by 20%</li> </ul>
Ultimate Design – Calderon	18	53,400	0	10	2	<ul style="list-style-type: none"> <li>Design and implementation of new production lay out</li> <li>17% reduction in sanding and finishing time</li> </ul>
Mabet	35	150,000	0	8	0	<ul style="list-style-type: none"> <li>12% reduction in drying time</li> </ul>
Muebles Hurtado	50	245,854	0	44	0	<ul style="list-style-type: none"> <li>Strong support in production system achieved better quality and better lead times, making the company credible and responsible before old and new clients</li> </ul>
Somaín	20	60,396	3,000	24	0	<ul style="list-style-type: none"> <li>Increase in production by 278%; going from 18 furniture items in 3 months to 36 items in 1.5 months</li> </ul>
Pacahuaras	64	80,000	50,000	145	0	<ul style="list-style-type: none"> <li>7% reduction in drying time</li> </ul>
CIMAL	10	420,000	0	12	0	<ul style="list-style-type: none"> <li>25% reduction in drying time increased output with no cost increase</li> </ul>
Schmidt Wood	7	14,500	0	8	1	<ul style="list-style-type: none"> <li>Company has been subcontracted for the first time to manufacture products for two exporting orders</li> </ul>
Línea Rústica (*)	13	13,152	0	0	0	
KAOBA	0	26,800	0	0	0	
IBEMA	11	63,022	0	22	2	<ul style="list-style-type: none"> <li>Design of new production lay out</li> <li>Product adjustments and training in new finishing techniques</li> </ul>
UNITED	291	1,000,000	0	1238	0	<ul style="list-style-type: none"> <li>938 people were hired through a dual training program- theory and hands on, achieving 100% increase in production capacity; reaching record high levels of production</li> </ul>
SOEX	22	23,065	0	18	4	<ul style="list-style-type: none"> <li>Implementation of the new manufacturing plant</li> </ul>
SAGUSA	5	20,000	0	45	0	<ul style="list-style-type: none"> <li>35% increase in used capacity of drying kilos</li> </ul>
SALI	4	12,000	0	6	0	<ul style="list-style-type: none"> <li>Initiation of new drying process</li> </ul>
PROMAD	12	850	0	4	0	
MONTANA	3	0	0	7	0	<ul style="list-style-type: none"> <li>Initiation of new drying process</li> </ul>
BTL	9	17,700	0	8	2	<ul style="list-style-type: none"> <li>New market was found for pre-dimensioned wooden pieces and two companies were enchaind to the production system</li> </ul>
ECOWOODS	3	3,500	0	3	0	<ul style="list-style-type: none"> <li>Improved production processes</li> <li>Reduction time in sanding and cutting of parts and pieces</li> </ul>
FATIMA	3	8,000	0	5	0	<ul style="list-style-type: none"> <li>Support in pressing processes of pieces for outdoor furniture</li> </ul>
IMAPA	10	20,000	0	32	0	<ul style="list-style-type: none"> <li>Organized the whole drying process</li> </ul>
<b>TOTAL</b>	<b>713</b>	<b>2,466,279</b>	<b>53,000</b>	<b>1,672</b>	<b>23</b>	

### **Casablanca International, Santa Cruz.**

BTBC played an important role in obtaining a pivotal partner for Casablanca, Mr. Tito Avalos, whose decision was favorably swayed when he learned that BTBC is providing extensive assistance to Casablanca's operations. Mr. Avalos brings considerable value to Casablanca; in addition to injecting fresh funds, he also controls forestry concessions which

*BTBC played an important role in obtaining a pivotal partner for Casablanca, who is now financing working capital for six Casablanca subcontractors. This has resolved a critical operational liquidity shortage for these SMEs.*

have become Casablanca's principal source of lumber. Together, Mario Landivar and Tito Avalos have rented a saw-mill with kiln drying facilities, thereby inserting the missing link in their operation between the forestry concessions and the furniture manufacturing operations.

At the time of writing this report, Mr. Avalos is financing working capital for six Casablanca subcontractors. BTBC has prepared the production plans for four of these subcontractors, which account for the majority of Casablanca's procurement. These production plans lay out delivery times and key work-in-process (WIP) milestones. If WIP milestones are

achieved within three days of the target dates, the subcontractors receive payment proportionate to the work-in-process. If WIP milestones are missed by more than three days, subcontractors must wait for payment and catch up by the next milestone.

With the entry of Tito Avalos, Casablanca has designed a small wood collection hub to supply lumber to Casablanca's main subcontractors. Casablanca is requesting help from BTBC to increase its financial capacity to purchase raw materials and kiln-drying services. Casablanca has made new investments of some \$150k this quarter, and hence is short of liquidity to fund its small wood collection hub. BTBC plans to discuss with USAID the possibility that a minor portion of the funds earmarked for the larger wood collection hub might be utilized to back this more immediate operation which benefits 11 SMEs subcontracted by Casablanca.

### **Muebles Hurtado, Santa Cruz.**

Muebles Hurtado is generating very satisfactory results. During the day shift Hurtado produces indoor furniture and during the night shift it produces garden furniture. This quarter BTBC has shifted the emphasis of our assistance to garden furniture for the U.S. market, though continuing with limited assistance to indoor furniture for Casablanca. Hurtado is supplying four buyers with garden furniture. BTBC has helped adjust production plans to accommodate all of these clients, and has assisted hands-on in the dispatch of two 40' containers. We have helped Hurtado significantly improve delivery times and quality, and are now shifting our attention to classification and selection of wood.

Templates allow significant automation and consequent acceleration of production. BTBC has helped Hurtado develop production templates for its new orders. A specialized and highly-responsive template development unit is being created in the factory.

In order to relieve one of Hurtado's production bottlenecks, BTBC is helping with the expansion of the laminating unit. Also, we have helped coordinate training and

motivational workshops for the staff, in order to increase their sense of commitment to delivery and quality, and in order to make them aware of customer complaints so that they can help resolve them.

### **Somaín, Santa Cruz.**

Somaín was one of the companies featured in BTBC's stand at Fexpocruz in September. During the quarter, BTBC has helped Somaín more than double its production volume from 18 to 48 units per month. Next quarter we aim to increase production to 60. In parallel, we have helped Somaín achieve highly competitive quality standards, in particular in the six top-selling models.

As with Hurtado, BTBC has helped Somaín develop templates for its most important products. A serious production problem arose because the secretaire tops were warping, and BTBC consultants identified the cause and provided the technical solution.

BTBC is providing training for Somaín's workers in the key area of hardware installation in the furniture. We have helped to improve sanding systems, so that customer complaints about rough and grainy furniture have ceased.

### **Muebles Fátima, Santa Cruz.**

After a difficult period, Fátima recovered two clients, namely Casablanca and Ipe Timber. BTBC assisted Fátima with production planning for both clients, and we helped improve procurement of raw materials. An initial diagnosis of the company was carried out, as well as an evaluation of worker performance in production of garden furniture. BTBC also helped Fátima refurbish a heated press, which is being used by Casablanca for the application of bi-ply to the indoor style furniture being produced by Hurtado and Somaín.

### **Pisolack, Santa Cruz.**

This is the sawmilling and kiln-drying company that Casablanca rents to supply its subcontractors with wood from the new partner's forestry concessions. Pisolack rents part of its production capacity to Casablanca and, through a BTBC referral, also manufactures under subcontract with Bolivian Tropical Lumber (BTL) for export to the Anaconda Group in Spain.

BTBC provided assistance to Pisolack in sorting and classifying a large lot of Tajibo (Ipe) wood, rejecting those pieces not suitable for furniture production. We also provided assistance to improve the pre-dimensioning processes and S4S wood planed on four faces.

### **Cimal, Santa Cruz.**

Cimal is the dominant manufacturer of secondary wood products in Santa Cruz. BTBC helped Cimal develop and implement a novel kiln-drying technique which in practice has reduced Cimal's drying times for tropical oak by 25%. The increased output of dried wood is expected to lead to the creation of 75 new jobs and a \$1m increase in exports. The BTBC consultant has also provided training to CADEFOR staff on the kiln-drying technique.

Through a BTBC referral, Cimal is in negotiations with a firm called Marrari that produces automated equipment for controlling drying processes. Marrari is developing a customized automatic controller for Cimal, which will be installed next quarter in Cimal's premises for

a free trial period, during which other Bolivian companies will also be able to see it and evaluate its performance.

### **Chinga Decoraciones.**

This is a small manufacturer of fine custom furniture. BTBC helped Chinga develop samples of three products to support a proposal to Entrada International Wood Products (EIWP) of the US. Though Chinga's quality is superb, for export purposes BTBC has helped the company correct a number of production defects. For instance, we helped in fine tuning the machines so that channels are cut with precision to specs, homogenized the texture of sanding, trained staff on polishing hardware and provided recommendations on potential cost reductions.

### **Pacahuaras, Riberalta.**

With BTBC assistance, Pacahuaras has now completed the installation of the machinery and equipment in its new plant in Riberalta, northern Bolivia. The machinery includes a finger joint machine, a six-head Unimat molder, a multiple saw, a re-sawing mill and sawdust extraction systems.

BTBC has provided different levels of training to 45 people in Pacahuaras in the operation of the new machinery and equipment, production of flooring, cost analysis and quoting. During this training, models have been developed for the following products:

- Pre-dimensioned wood for parts and pieces with S4S planing on four faces
- Decking
- Flooring
- Finger-joined style boards for use in door manufacturing

BTBC helped Pacahuaras plan the production of initial orders from major clients in Oregon and the Netherlands. We helped Pacahuaras achieve major improvements in the utilization of short wood that was previously discarded by the three sawmills and is now being used to make construction beams and style boards. We also helped the company set up transportation systems within the factory. During the quarter, Pacahuaras has commenced production of decking and S4S boards for export to Oregon and the Netherlands.

*BTBC has provided extensive assistance to Pacahuaras in the installation of its new plant in Riberalta, northern Bolivia. Once it is fully operational, Pacahuaras' new plant will be one of Bolivia's top producers of pre-dimensioned wood for parts and pieces, decking, flooring and finger-joined style boards for making doors.*

### **IMAPA, Cobija**

IMAPA, one of the most important wood companies in Cobija, is a medium producer of S4S lumber and decking. IMAPA completed its production facilities in Cobija about one year ago and has been operating its sawmill but not its drying kilns. BTBC helped IMAPA initiate the operation of the drying kilns by providing hands-on training to the staff through a full drying cycle in three of the five kilns. We provided training in loading the kilns, helped homogenize the circulation spaces between boards at 20mm and developed the drying curve for Almendrillo wood.

BTBC helped identify and resolve several technical difficulties, such as calibration of the automated systems and necessary repairs to the main boiler. We also provided assistance in the classification of lumber for the sawmill process, making recommendations for cutting techniques for alternative woods which are expected to increase trunk yield by up to 25%. We helped develop a data control sheet for process controls and provided training on its use.

### **SAGUSA, Cobija**

SAGUSA is a medium company with two forestry operations and three rudimentary drying kilns located in northern Bolivia. During this quarter the company received export orders for planed wood and flooring, but its knowledge of how to appropriately kiln-dry the wood was very limited. BTBC was able to make a highly opportune intervention to help SAGUSA develop its kiln-drying capabilities to service these orders. By showing them a more space-efficient way to stack their wood, we helped SAGUSA load 20%-30% more wood into each of its kilns. We helped them refurbish their kilns and make significant technical improvements to optimize kiln performance.

BTBC also provided training for SAGUSA's staff in a diversity of activities involved in kiln drying, sawmilling, handling and loading. In kiln drying, we trained the staff in two methodologies. These are the generic pre-set programs from the kiln manufacturers which do not provide for differences among wood species, and the more reliable manual methodology for controlling moisture content and the drying quality. With company management we have developed an outline of the more extensive technical intervention that BTBC should make in SAGUSA, encompassing the various stages in the process to manufacture different types of flooring for export.

### **SMEs in Tarija (Montana, Ginko and Comas)**

These three SMEs sought technical assistance from BTBC in kiln drying, which we provided to them in the Infocal premises in Tarija. In addition to hands-on training over the course of a full drying cycle, we provided training in wood classification based on NHLA standards (National Hardwood Lumber Association). The coverage of kiln drying was intensive, encompassing the manual methodology, measurement of humidity, utilization of dry and humid bulb thermometers, wood tension release, how to interpret the data to make decisions on temperature adjustments, and techniques to ensure that the wood will not warp, crack or twist. In classification of wood, the training that we provided completely changed the parameters for purchasing wood for these SMEs in Tarija. They now select and measure the lumber based on internationally accepted quality standards.

When BTBC came on board, Montana had just acquired and was installing its kiln drying equipment. BTBC reviewed the work they were doing and provided constructive recommendations on improvements to the gas and steam connections, kiln insulation, and installation of turbines and sprayers.

### **Industria Maderera Sali, Cochabamba.**

Sali is a medium manufacturer of doors, which was facing serious quality issues arising from deficient drying in its kilns. A BTBC diagnosis identified mechanical faults as well as defective instrumentation generating incorrect readings during the drying process.

Based on this diagnosis, we helped Sali install manual control probes for correct measurement of humidity by weight. We made recommendations on how to load the kilns to allow for better air circulation. We helped them install filters to avoid clogging of the heating ducts. We made suggestions on placing weights on the top of the wood stacks to avoid twisting of the upper boards. And we recommended the purchase of various instruments to obtain precise readings for proper control of the drying process.

### **IBEMA, Cochabamba.**

IBEMA is the leading manufacturer of furniture in Cochabamba, and is one of the companies that BTBC took to the High Point International Furniture Market in Oct 2003.

*Last year, IBEMA obtained its first U.S. export order as a result of its BTBC-sponsored participation at the High Point Furniture Market. Now, IBEMA is investing around \$100,000 to open a U.S. sales office in Virginia.*

With BTBC assistance, IBEMA was able to close its first export orders with buyers contacted at High Point. More recently, BTBC has helped IBEMA develop its complete expansion strategy for the U.S. market and the domestic market. As part of this strategy, IBEMA has opened representative offices in Virginia to drive its US sales. IBEMA will invest about \$100k to start-up and operate its US marketing activities in the first year.

IBEMA's first two shipments to the US contained certain deficiencies in quality, dimensions and finishing. In order to resolve this, BTBC consultants have helped the company separate

export production from domestic market production. We have made significant improvements in plant lay-out. For a number of the joinery operations we have recommended the use of dowels instead of spigots. We have trained plant workers to understand and utilize the U.S. measurement system rather than the metric system for U.S. orders. We have helped the company develop templates based on the precise dimensions specified in the orders. The BTBC consultant has introduced new finishing techniques that enable compliance with the order specifications and prolong the durability of the products.

In order to improve cost competitiveness, BTBC has persuaded IBEMA to work with lower-cost woods. The company is now utilizing *yesquero blanco*, *mara macho* and *bibosi*, which cost about 50% less than the traditional mahogany.

BTBC has also helped IBEMA identify and subcontract three SMEs, for production of carpentry, hardware and wrought iron.

### **SOEX, La Paz.**

This is a small manufacturer of conventional and customized doors. BTBC has provided significant assistance in the company's first export shipment to the U.S. We helped develop the production plan, identified and mitigated bottlenecks in machining and assembling, developed the templates for each of the doors, made recommendations for packaging the finished product and provided training to 18 workers to execute the production plan. We have helped implement a necessary system to control production by movements against the timetable. We have recommended catalysts to accelerate the adhesion processes, thereby enabling a significant increase in the capacity of the presses.

BTBC has helped SOEX write its business plan to obtain its first loan, which has been approved by Precrédito for \$60,000. SOEX applied to four financial institutions before obtaining this approval.

BTBC has helped SOEX subcontract three artisans. Two of them manufacture style boards and other parts and pieces for SOEX' doors. The other specializes in sharpening the wide blades on SOEX' saws every few days.

### **PROMAD, La Paz.**

PROMAD is a medium manufacturer of wood products, with a versatile plant allowing production of varied goods. BTBC has helped PROMAD develop an assortment of samples, including flooring and furniture, to seek orders from SOEX' customers in the U.S. These samples have been shipped to the customers in SOEX' door container, and we hope to receive orders during 4Q04.

### **Mobilia, La Paz:**

In 2Q04 this medium manufacturer of wood products had received a trial order for one container of *almendrillo* flooring. With BTBC assistance, Mobilia completed production of the trial order. On seeing the finished product, the buyer has placed a regular order for a minimum of one container per month of almendrillo flooring. In addition, BTBC is helping Mobilia develop two new flooring products for stairways and floor trim.

Mobilia produced the trial order on a break-even basis, but not surprisingly the buyer will not increase the prices for the standing order. Mobilia must therefore reduce costs to be profitable. Through a technical diagnosis and a variety of recommendations, BTBC has helped Mobilia reduce the production process from 12 steps to 8 steps, thereby achieving significant cost savings.

As part of the cost reduction exercise, BTBC has helped Mobilia subcontract two SMEs, PROMAD and Nadal, to provide kiln-drying services. We have also helped Mobilia find more competitive suppliers of wood to reduce the cost of raw materials. We have provided training to 30 Mobilia plant workers, from production to packaging.

## **B.3 Fine Fibers, Leather and Jewelry**

### **B.3.a Overview of BTBC Activities in the Sectors**

This quarter BTBC considerably expanded its activities in the fine fibers sector by commencing assistance programs to four new companies. On the other hand, BTBC's activities in the jewelry and leather sectors have not presented major changes.

**Fine fibers.** The fine fiber sector is still new for BTBC. Fine fiber manufacturing companies are small and numerous and are concentrated in the cold regions of the country. Alpaca garments are directed at medium and high-end markets, being exported in low volumes. Most alpaca garment manufacturers need support in design, employee training and marketing. It is important to market the benefits of camelid fibers (alpaca and llama) in the target markets. It is perhaps even more important to adjust Bolivian designs so that they are appealing to target market consumers.

The following is a summary of BTBC's activities in the fine fibers sector:

- **Production Systems.** This quarter BTBC has worked extensively to help companies improve the following key areas: productivity, increasing capacity, production planning and control, inventory management and implementation of additional production lines.
- **Quality Control.** In many of the interventions BTBC has helped implement various quality control systems and mechanisms. Quality control is fundamental to secure clients. It is also important for reducing costs through early detection of defects and minimizing rejects.
- **Design.** Design is critical for the success of Bolivian camelid products in the international markets. The owner of Millma, one of Bolivia's dominant exporters of camelid garments, says that what he sells are the designs and not the fibers, as alpaca and llama are relatively unknown. In order to strengthen Bolivia's design capacity, BTBC has hosted a variety of textile and garment design courses with Fundes, Universidad Real and CEPROBOL. The courses were offered in beginner, intermediary and advanced levels and a total of about 160 participants attended.
- **Opening Markets.** BTBC-backed companies continue harvesting results from the BTBC/CANEB Business Development Project and the Magic Marketplace in the U.S. Examples of fine fiber companies with growing exports resulting from these interventions are Milos/Liliana Castellanos, Altifashion, Orígenes and Intiwara.
- **Training.** BTBC has provided training in a diversity of areas, including design, quality control, costing and quoting, production systems and broad management.
- **Diagnoses and Recommendations.** BTBC has done in-depth diagnostic evaluations of several companies to help them identify their internal constraints and develop recommendations as to how to overcome them. These diagnoses have been followed by BTBC interventions to help apply the recommendations.
- **Hand-knitting garments.** BTBC is providing assistance to two hand-knitting groups, namely Fotrama, an association which produces its garments through 16 groups totaling over 300 women, and Altifiber/Altiknits, a company outsourcing production to a further 300 women. In 4Q04 we will commence assistance to another major knitting network, which employs some 1,000 women.
- **Subcontracting Production:** In a variety of instances, BTBC has made introductions between companies that have resulted in subcontracts for production. For example, BTBC is helping a dominant exporter of camelid garments identify small and medium textile manufacturing companies to which to outsource industrially knitted garments

*Network production of hand-knit garments has enormous potential. Bolivia has real competitive advantages and the activity can be a massive source of employment, especially for impoverished women. BTBC is providing assistance to hand-knitting networks in fine fibers as well as in cotton and synthetics.*

**Leather Sector.** Macaws continues to be our major project within the leather sector. We are satisfied to note that with BTBC assistance, this quarter Macaws incorporated 50 new SMEs into its export chain. We also helped Macaws obtain ISO 9001 and OSHAS 18000 certifications, making it the first Bolivian company to obtain the OSHAS 18000. We are still working with the company to implement ISO 14001. We expect Macaws to obtain this certification by the end of the year.

**Jewelry Sector.** Exportadores Bolivianos, the gold and silver jewelry manufacturer which received BTBC assistance in 2003 to open a new production plant in Bolivia, continues growing and generating very substantial exports to the U.S. Minerales y Metales (M&M), the producer of gemstones which received BTBC assistance earlier in the year to implement a new jewelry manufacturing plant, is expanding its local jewelry business, having opened two retail jewelries in Santa Cruz.

### **B.3.b BTBC Projects and Results in the Fine Fibers, Leather and Jewelry Sector**

Though BTBC has just recently started work in fine fibers, during this quarter the sector has generated more than 50 new jobs and increased exports by about US\$ 150,000. We highlight that 40% of aggregate new exports in fine fibers result from the Magic Marketplace.

In the leather sector, the assistance provided to Macaws has resulted this quarter in increased exports exceeding US\$ 175,000, 20 new SMEs brought into the export chain and 27 people trained. The company has achieved certifications for ISO 9001 and OSHAS 18000, and is preparing for certification in ISO 14001.

In the jewelry sector BTBC provided assistance in earlier quarters. We highlight that the majority of jobs that were created have been maintained. Exportadores Bolivianos has exceeded its export-generation commitment to BTBC by almost double – the commitment was US\$ 5 million in new exports and to date they have surpassed US\$ 10 million.

As with the table of general results, the following table now includes number of people trained, local sales and “other results”.

**Summary of Cumulative Results: Oct '03-Sep '04**  
**Fine Fibers, Leather and Jewelry**

<i>Companies</i>	<i>New Jobs</i>	<i>New Exports (US\$)</i>	<i>New Local Sales (US\$)</i>	<i>People Trained</i>	<i>New SMEs in export chains</i>	<i>Other Results</i>
Milos International	17	21,157	12,243.74	3	0	<ul style="list-style-type: none"> <li>Consolidation of trade relation with Linda Richards</li> <li>Contact with two potential clients at EXPOCRUZ</li> </ul>
Origenes Bolivia	10	12,767	1,986.00	4	0	
Altifashion	15	50,000	0,00	2	0	<ul style="list-style-type: none"> <li>Inventory management system</li> </ul>
Altifibers	17	42,500	0,00	2	6	
Fotrama	6	7,072	2,960.40	2	0	<ul style="list-style-type: none"> <li>Production planning and implementing quality control system. Training of 300 women</li> </ul>
Knitted Apparel	9	36,000	0,00	2	0	<ul style="list-style-type: none"> <li>New lay-out, time and movements studies. Implementation of a computerized control and management system</li> </ul>
Gloria Thaine	5	9,000	0,00	0	0	
Alpaca Style	0	16,000	0,00	0	0	
Terraltas	0	10,000	0,00	0	0	
Intiwara	0	0	0,00	5	0	<ul style="list-style-type: none"> <li>Development of styles for a new line of knitted products (coats and jackets)</li> </ul>
Shalom	0	0	0,00	4	0	<ul style="list-style-type: none"> <li>In the process of implementing an Integrated Management System</li> </ul>
Patterning and Design Workshops	0	0	0,00	60	0	
Design Workshop	0	0	0,00	100	0	<ul style="list-style-type: none"> <li>Direct support to five companies, on improving designs for export to the US market</li> </ul>
Exportadores Bolivianos	90	5,576,631	0,00	138	0	<ul style="list-style-type: none"> <li>With E-Coating assistance, the price of jewelry pieces increased in 10 cents</li> <li>Up to date, new exports reach more than \$10 million</li> </ul>
Minerales y Metales	18	0	0,00	18	0	<ul style="list-style-type: none"> <li>Implementation of a new jewelry manufacturing line</li> </ul>
Macaws	101	609,396	2,458.51	199	44	<ul style="list-style-type: none"> <li>Macaws is the first Bolivian company to obtain the OSHAS 18000 certification in addition to the ISO 9001. ISO 14001 certification is expected by the end of 2004</li> </ul>
<b>TOTAL</b>	<b>287</b>	<b>6,390,523</b>	<b>19,649</b>	<b>539</b>	<b>50</b>	

### **Milos International, Fine Fibers, La Paz.**

Milos International is a designer and producer of alpaca coats, jackets, suits and shawls targeted to high-end export markets. This quarter, BTBC provided support to Milos in the area of industrial design and patterning, creating a patterning and design department, developing technical specifications for each product, and training personnel in quality control and design.

*BTBC-backed designer Liliana Castellanos was invited to tell her success story at The Congress of Young Entrepreneurs.*

One of Milos' major clients in the U.S., Linda Richards, was contacted through BTBC business development consultant Luis Soto and has received her first two shipments.

### **Altifashion, Fine Fibers, La Paz.**

This company is the largest manufacturer in Bolivia of alpaca coats and jackets. They are currently in production of an export order obtained through the BTBC/CANEB Business Development Project in the U.S. The finished product for this order, valued at almost \$20,000, will be shipped in October.

### **Altifiber/Altiknits, Fine Fibers, La Paz.**

This company exports mainly alpaca and llama tops to Europe and the U.S. Garments are produced by a group of over 300 women, who manually spin and knit the wool at home. The company also owns three industrial knitting machines, which operate in-house to complement the production that is outsourced from the women.

BTBC has provided assistance to Altifibers/Altiknits through a diagnosis and corresponding recommendations to improve production systems and quality control. BTBC's recommendations are being implemented step by step, and will be fully in place by the end of the year.

### **Orígenes Bolivia, Fine Fibers, La Paz.**

This company started operations as a trader, outsourcing products from SMEs. Due to quality problems and long lead times, the owners decided to integrate vertically, installing their own textile manufacturing company. BTBC assisted the company in production systems and quality control. Orígenes participated in the CANEB/BTBC Business Development Project in the U.S. and at the Magic Trade Show, through which it obtained trial orders and reorders from two clients.

### **Millma, Fine Fibers, La Paz.**

Millma is one of the major exporters of knitted alpaca garments in Bolivia. BTBC has introduced Millma to eight small and medium textile manufacturing companies with appropriate capabilities for Millma to outsource industrially-knitted garments. Of these eight introductions, Millma has selected three to develop samples.

### **Knitted Apparel, Fine Fibers, La Paz.**

Knitted Apparel produces acrylic garments for the local market and exports indirectly to Argentina by selling at the border. In recent years the company has exported limited quantities of knitted alpaca garments to Germany, and they are currently negotiating their largest order to date (30,000 alpaca sweaters) for the German market.

BTBC is providing assistance to Knitted Apparel in production systems and quality control. We are also helping Knitted Apparel implement a second production line.

#### **Shalom, Fine Fibers, La Paz.**

Shalom currently produces acrylic sweaters and pullovers. They sell all their production ex-factory to buyers from Chile, Peru, Paraguay and Brazil. Their orders have grown significantly in recent years and their current capacity (8 industrial machines) is no longer sufficient to satisfy demand. Therefore, they are installing a second plant with 4 state-of-the-art industrial machines. The second plant will continue operating with acrylic, and will begin incorporating alpaca. Through a BTBC introduction, Shalom is one of the companies being considered by Millma for production outsourcing.

BTBC is providing assistance to Shalom in management, production systems and quality control.

#### **Fotrama, Fine Fibers, Cochabamba.**

Fotrama is a cooperative composed of its workers. The company has two production units: camelid yarn spinning and garment production. They collect, classify, wash, de-hair, comb, spin and dye alpaca fiber. They utilize part of the classified wool for the production of alpaca garments and sell the rest of it. Fotrama currently exports to the U.S., Germany, Switzerland, Norway, Denmark and Argentina. Garments are produced by over 300 women, divided into 16 groups, who manually spin and knit the wool at home.

BTBC is providing extensive assistance to Fotrama in production systems, quality control, cost analysis and time and movement studies. BTBC's assistance is currently underway with on-site interventions at the spinning mill and in each of the 16 groups.

*BTBC is providing extensive assistance to Fotrama, which manufactures hand-knit camelid hair garments through a network of 300 women divided into 16 groups.*

#### **Intiwara, Fine Fibers, La Paz.**

Intiwara is one of the major exporters of knitted alpaca garments in Bolivia. They export sweaters, pullovers, shawls and other accessories mainly to Europe, with small volumes also exported to the U.S. and Japan. Currently, 90% of the production is manufactured manually (with hand machines, not knitting needles) in their plant in La Paz and 10% is being outsourced. They just bought an industrial machine to increase their installed capacity. They have more than 80 hand-operated machines.

Intiwara participated in the BTBC/CANEB Business Development Project in the USA, through which it made contact with Icelandic. At present, Intiwara and Icelandic are jointly developing a collection for 2005. BTBC is providing assistance to Intiwara in patterning and design. The company aims to expand its production to include a line of alpaca coats, jackets and suits. In order to move towards this, we helped Intiwara develop the patterns

for this new production line. The first garments will be presented in the Milan Fair in November.

### **Exportadores Bolivianos, Jewelry, La Paz.**

BTBC has not provided assistance to Exportadores Bolivianos this quarter. However, Exportadores Bolivianos' exports continue to grow as a result of BTBC's pivotal intervention in 2003.

### **Minerales y Metales (M&M), Jewelry, Santa Cruz.**

Minerales y Metales' new jewelry plant, which was implemented with BTBC technical assistance, is now in steady production, albeit at 30% of capacity. It is producing some 300 jewels per month, which are sold in the domestic market. M&M has recently opened two new jewelery stores in Santa Cruz.

### **Macaws, Leather Goods, Cochabamba.**

Macaws is the leading Bolivian manufacturer company of leather products, and is the only manufacturing company in the country that sells through the internet. They operate primarily through two companies in the U.S., namely Bellagio Designs and and PB Leathers. Macaws is a partner of both companies. Macaws' exports for the period Jan-May 2004 were \$464k, almost doubling its exports over the same period last year.

BTBC has provided training in Macaws in the following areas:

- Leather upholstery – 89 people trained, resulting in 34 people hired and seven new SMEs incorporated
- Manufacturing of small leather goods – 93 people trained, resulting in 23 people hired and 51 new SMEs incorporated
- Machine maintenance – 29 people trained, several are on-call when mechanical problems arise
- Total BTBC training in Macaws – 211 trained, resulting in 57 hired and 58 new SMEs incorporated.

With extensive BTBC assistance, this quarter Macaws achieved the OSHAS 18000 certification, making it the first Bolivian company to be internationally certified in occupational safety and health. In addition, BTBC helped Macaws renew its ISO 9001 certification. We have also worked closely with Macaws to achieve compliance with the requirements for ISO 14001, and we expect Macaws to have this certification by the end of 2004.

*With extensive BTBC assistance, Macaws is the first Bolivian company to be certified in occupational health and safety (OSHAS 18000).*

Overall, BTBC has supported Macaws with five consultants for six months ending March 2004, two technical consultants through September 2004 and one expert in ISO 9001 & 14001 and OSHAS 18001 through October 2004. The impact of BTBC's assistance to

Macaws from January to September 2004, is reflected in the almost 100% increase in exports with respect to the same period in 2003, in the training that we provided to 211 people, of which 57 were hired, and in the 58 new small enterprises that have been incorporated to the Macaws production chain.

## **B.4 Market Linkages Activities**

### **B.4.a Market Linkages in Textiles and Apparel**

- BTBC helped MAQUIBOL subcontract production from three additional SMEs this quarter, bringing the total to nine SMEs under subcontract that have been introduced by BTBC. In aggregate, these SMEs will assemble 25,000 garments for export to Walmart via MAQUIBOL.
- In coordination with the commercial attaché in the Bolivian Embassy in Chile and several Chilean buyers, BTBC arranged a trip to Santiago for a medium apparel manufacturer, Batos, which to date has already obtained a firm order for 10,000 blue jeans per month resulting directly from this trip.
- BTBC identified and contacted a distributor of children's clothing based in Minas Gerais in Brazil. We introduced this buyer to the Premier Group of Cochabamba. The buyer has decided to visit Premier's production facilities in early October, with the prospect of placing an order for 5,000 garments per month.
- BTBC helped launch web pages for Alfach, Trailer, Eysy and Batos. Through a BTBC introduction, these companies retained the services of TIR, a firm specialized in the production and maintenance of web pages.
- BTBC is working with the renowned Peruvian broker of textiles and apparel, Daniel Abugatas, to develop clients for Bolivian garment manufacturers. As they appear, orders will be allocated to the most competent companies in Bolivia.
- BTBC visited ten medium apparel manufacturers to evaluate their suitability to subcontract for Rey Wear. Of these, Rey Wear will subcontract 3-5 manufacturers for the production of denim garments under an order from a U.S. buyer.
- BTBC introduced Mitsuba to Fierres Inc. of Puerto Rico. Mitsuba has produced two orders of Fierres-designed shirts. Having gained confidence in Mitsuba, Fierres has now placed a third shirt order, but this time using Mitsuba's designs. Fierres has also placed an initial order of polo shirts which is their fourth order from Mitsuba.

### **B.4.b Market Linkages in Secondary Wood Products**

During this quarter BTBC has been very dynamic in brokering subcontracts in the secondary wood products sector, including the following:

- Hurtado-Fátima. Fátima's heated press is being utilized to apply bi-ply to the indoor style furniture being produced by Hurtado and Somaín.
- Ecowoods-Schmidt Wood: Schmidt Wood is manufacturing wooden toys under subcontract for Ecowoods.
- SOEX-Schmidt Wood: Schmidt Wood has produced ten samples of wooden trunks under subcontract for Ecowoods. This has resulted in an order for 10,000 units.
- Anaconda: We have helped Anaconda of Spain subcontract different stages of its Bolivian operation, including marketing and sales to Bolivian Tropical Lumber, procurement of wood to Andean Tropical Hardwood, and pre-dimensioning and S4S four-face planing to Pisolack and PROMAD.

#### **B.4.c Market Linkages in Fine Fibers, Leather and Jewelry**

- **FUDEPE** [“Progress and Development Foundation”] of Spain. BTBC made contact with this private foundation that aims to strengthen SMEs in developing countries, focusing on high value products. FUDEPE provides selected companies with production assistance, working capital finance and capital expenditure finance. FUDEPE provides the designs for the products to be manufactured and subsequently takes charge of selling the finished goods.

BTBC organized an initial itinerary for two FUDEPE associates with manufacturers of jewelry, leather goods and alpaca garments. Enthused with the possibilities it found in Bolivia, FUDEPE has opened a small office in Santa Cruz and plans to select companies to support by the end of 2004.

- **Milos International makes important contacts in EXPOCRUZ.** Through Milos’ participation in the BTBC stand in Expocruz, contact was established with the owner of a chain of boutiques in Colombia and with representatives of DBI International of Canada. Both of these organizations have offered to represent Milos in their respective geographies, and these opportunities are now under consideration/negotiation. Milos was also contacted by a large German modeling agency that offered to represent its designs in Germany and Russia.

#### **B.5 Increasing Access to Capital**

- **Working capital finance for Casablanca SMEs.** A serious constraint for Casablanca has been financing working capital to enable its subcontractors to manufacture. BTBC was instrumental in facilitating the entry of Mr. Tito Avalos as a financing partner with Casablanca. BTBC helped develop and has an active role in a tailored financing scheme well suited to the needs of both buyers and subcontractors.
- **SEAF prospects.** BTBC has introduced the Small Enterprise Assistance Funds (SEAF) to several prospects in Bolivia, including Santa Monica Cotton, Macaws, Casablanca and La Cuisine.
- **Training to Banco Bisa Loans Officers:** BTBC provided training to 20 Banco Bisa loans officers to equip them to better evaluate loan applications from their textile/apparel business customers.
- **Study on SME finance in Bolivia.** BTBC collaborated in a Premier-led study of SME finance in Bolivia. The study involved focused interviews with twelve financial institutions and an equivalent number of SMEs. The results of the study will be available in 4Q04.
- **Precrédito loan for SOEX.** BTBC has helped SOEX write its business plan to obtain its first loan, which has been approved by Precrédito for \$60,000. SOEX applied to four financial institutions before obtaining this approval.

#### **B.6 Training for the Productive Sector**

BTBC provided training this quarter for 721 people: 336 in wood products, 174 in garment manufacturing, 27 in leather, and 184 in fine fibers. Much of this training was on on-the-

job, but we also trained people in structured workshops or seminars. Some examples of BTBC training include:

- **Training for instructors:** In July we concluded the joint BTBC-UPC program for providing updated training to instructors. In this program we trained and issued certificates to 230 instructors in Bolivia's three main cities.
- **Training for industrial mechanics:** One of the bottlenecks faced by apparel companies in Bolivia is a severe shortage of specialized mechanics to maintain, repair and adapt the garment manufacturing machinery. BTBC provided extensive training to five mechanics specialized in these machines.
- **Export training for SMEs:** BTBC is providing a 12-hour training program to three SMEs in Cochabamba on exporting to neighboring countries.
- **One-on-one training:** BTBC provided one-on-one training to four people in Mitsuba on sales, costing and quoting, production systems and supervision of garment assembly lines.
- **Workshops with women hand-knitters:** BTBC held workshops with 16 groups of women who hand-knit sweaters in El Alto. During these workshops, the women were trained on production planning and organization, accelerating turnaround times and improving coordination with their buyers in order to seek uninterrupted orders.
- **Design and patterning courses with Universidad Real:** In coordination with Universidad Real and CEPROBOL, BTBC organized a sequence of two 42-hour workshops on manual and computerized design and patterning. The first course was at the basic/intermediary level and the second was advanced. Over sixty people attended. The instructor in both courses was BTBC consultant Marco Antonio Rojas, a Chilean expert in design and patterning.
- **Design course co-hosted with Fundes.** BTBC provided financial assistance to Fundes to carry out two courses in textile design for designers, design instructors and exporters. The courses were held in La Paz and Santa Cruz and more than 100 people participated.
- **Thesis Support for industrial engineering students and commercial engineering students:** BTBC is providing assistance to three undergraduate industrial engineering students majoring in apparel manufacturing at Universidad de San Simón in Cochabamba. We are also providing assistance to two undergraduate commercial engineering students majoring in apparel business at Universidad Autónoma Gabriel René Moreno in Santa Cruz. BTBC's assistance consists of providing case studies, information sharing and covering certain costs. The two UAGRM students in Santa Cruz are writing the business plan for the Cidex Group as their thesis under the tutelage of BTBC consultant Emilio Gutiérrez.

*Since its inception, BTBC has provided training for over 3,100 people, of which roughly 1,600 have been in wood products, 950 in garment manufacturing, 350 in leather and jewelry, and 200 in fine fibers.*

## **B.7 Major Events and Other Activities**

### **Feria Exposición Santa Cruz (FEXPOCRUZ) 2004**

FEXPOCRUZ is the most important trade fair in Bolivia, and was held between September 16 and 26 of 2004. BTBC invited ten of its assisted companies to participate in a 900 sq. ft. stand in the Exporters' Pavilion. BTBC covered about one half of the costs and the companies covered the other half. The exhibitors in the BTBC stand were:

- Textiles/apparel: AMETEX, Dims, Imagen, Makam, Torino and Texturbol
- Secondary wood products: Kaoba and Somaín
- Fine fibers: Milos Internacional (Liliana Castellanos)
- Jewelry: Exportadores Bolivianos

The objective of BTBC's participation was to show live examples of how BTBC can help companies grow and export and to give the participating companies an opportunity to show their export products and make contact with potential buyers. It was also an opportunity for BTBC to make contact with new prospective companies.

Almost 400,000 visitors attended FEXPOCRUZ 2004. A brochure with general information about BTBC and the ten participating companies was developed and 10,000 copies were distributed during the fair.

### **U.S. Congressional Delegation visits a BTBC Project**

BTBC coordinated a U.S. Congressional Delegation visit to Muebles Hurtado, led by Congressman Jerry Weller (R-IL) and with the participation of Howard Coble (R-NC) and Gresham Barrett (R-SC). Nicolás Hurtado made a presentation during which he outlined the company's history in the domestic market and its growing exports. He highlighted the value to Muebles Hurtado of the extensive assistance that the company has received from USAID through BTBC.

Following the presentations, the delegation was invited to tour the plant. They were very impressed with the fine craftsmanship that is worked into the industrial production. On arrival back to the U.S. a couple of delegation members placed orders for garden benches from Muebles Hurtado.

## SECTION IV

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### Project Issues

#### **A. IPR Initiatives Delayed**

On September 6<sup>th</sup> Viceminister Ana María Solares was unexpectedly removed from office and Mr. Juan Carlos Iturri was sworn in as the new Vice Minister for Industry, Commerce and Exports. Soon after Mr. Iturri took office, the USAID/Bolivia EOSOT and BTBC teams arranged a meeting to discuss with him, among others, all matters pertaining to the strengthening of the intellectual property rights regime in Bolivia. Mr. Iturri acknowledged the importance of the topic and assured us he will give priority to the SENAPI reform process and to the approval of a Supreme Decree which clarifies Bolivia's adhesion to Andean Community legislation pertaining to intellectual property rights.

#### **B. Counterpart Contributions to BTBC Interventions**

BTBC has overcome many of the early difficulties related to obtaining real counterpart contributions for BTBC interventions. We are now obtaining significant counterpart contributions for virtually every intervention we make, which has the following two very important outcomes:

- BTBC interventions are increasingly more effective, as interested parties only pay significant counterparts if they are convinced of the value of the intervention.
- BTBC has been able to substantially increase the number of our interventions, because our dollar contribution per intervention has decreased as interested parties are paying a greater percentage.

In addition, BTBC has been able to coordinate more interventions with other donor agencies and projects. This too has enabled BTBC to increase the number of our interventions, as we leverage our own resources with theirs.

#### **C. Wood Collection Hub Reactivated**

The wood collection hub project has gained momentum this quarter with the backing of USAID/B and Fundapro. BTBC is helping to drive the project forward by contributing the central consultant, Mauricio Arraya, who is dedicated full-time to designing and finding investors for the project. BTBC also participates in the commission that is managing the bidding process and that will evaluate the proposals presented by private sector groups. The winner of the bidding process will be announced during 4Q04 and the project will then move into the implementation stage.

## SECTION V

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### Major Activities for Next Quarter

#### **A. Activities Geared to Improving the Business Environment, Including Institutional Strengthening**

##### **A.1 Communication Campaign: “Foreign Trade and National Development”**

Once the mass media component concludes in October, activities will focus on assessing the campaign impacts and continuing with educational seminars and workshops.

These activities will include:

- Evaluation of the mass media campaign through an image audit, an opinion poll and focus groups. Discussion of results with our institutional associates.
- Second base line study completed (Survey on FTA and other foreign trade issues) assessed and distributed to stakeholders, particularly to GOB officials and exporters.
- Organization of Seminars and Workshops: Selection of speakers, seminar formats and issues to be examined. Specific seminars will include the following subjects:
  - Presentation of the Soybean Sector Study
  - The Negotiation of CAFTA as a model for Bolivia negotiating the AFTA:
  - The Critical Issues in the negotiation of AFTA
- Monitoring of all Communication Program activities

##### **A.2 Census of Employment Generated by the Manufacturing Export Sector in Bolivia since the Implementation of the ATPDEA and its Future Trends**

The study will be completed before the end of 2004, with the support of the regional export chambers.

##### **A.3 Strategic Training for SMEs**

The course on strategic management for SMEs will conclude in October with a business simulation workshop, where participants will test their knowledge against simulated situations, but taking real data from their own enterprises.

#### **B. Activities to Stimulate Production and Exports**

##### **B.1 Textiles and Apparel**

- Provide assistance to SMEs that are being subcontracted by AMETEX to help them improve quality and delivery.
- Work with BATT to implement a planning and logistics department.
- Provide the necessary assistance to Premier, a consortium of SMEs, to help them deliver their first export order to a Brazilian buyer.

- Coordinate a sales trip to Santiago for four Bolivian garment manufacturing companies, in collaboration with the Bolivian Consulate in Chile.
- Visit the Association of Garment Manufacturers of Tarija in November, in response to the association's request for BTBC's assistance in selecting the most promising companies and provision of technical support.

## **B.2 Secondary Wood Products**

- Complete BTBC's assistance in the implementation of Pacahuaras' new venture in Riberalta, northern Bolivia.
- Provide assistance to saw mills and kiln-drying operations so that they can comply with the FSC chain of custody requirements and thereafter obtain the FSC certification.
- Continue and expand kiln-drying assistance to Cimagro, SAGUSA, Ciro Villavicencio and IMAPA.
- Continue and expand technical assistance in manufacturing to SOEX, PROMAD, Imad, San Joaquín, Chinga Decoraciones, Muebles Fátima, Excel, Classe and Ultimate Design.
- Seek to facilitate an investment in Bolivia by Anaconda of Spain. Help Anaconda procure the needed quantities of S4S wood, with planing on four faces.
- Participate in the selection of the winner of the Wood Collection Hub bidding process.
- Provide assistance to United Furniture Industries to fulfill its commitments to Tyndall Creek.
- Initiate assistance to one or more wood product manufacturing companies in Tarija, southern Bolivia.

## **B.3 Fine Fibers, Leather and Jewelry**

- Commence BTBC technical assistance to three additional manufacturers of fine fiber garments.
- Assist Millma subcontracts for production by BATT and other SMEs.
- Train 30 new workers in the fine fiber sector (Casa Fisher).
- Commence BTBC assistance to Asarbolsem in training and quality improvements for 300 women that hand-knit in El Alto and are exporting their products.
- Complete the training process of 400 women that hand-knit garments in Cochabamba for FOTRAMA.
- Recruit a design specialist to provide assistance to fine fiber companies.
- Provide assistance to Curtiembre Vis Kuljis, a leather tannery, to seek buyers for leather-based dog treats.